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# **The Unwritten Rules of the Game: A Case Study of European Funding Distribution in Wales**

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**Ph.D**

**Doctor of Philosophy for the Open University Business School  
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## **Abstract**

This thesis examines the process of European Union funding programme and its implementation within a network context, and asks how institutional and network factors influence which organisations acquire funding. It is a case study which focuses on one European programme and one project partnership that was successful in gaining funds, and details the processes and influences that determined the way in which such programmes are developed and funds are distributed. Multi-Level Governance (MLG) is evident in the overarching structures supporting the interactions between Wales and the European Commission. The study critically analyses the significant pressures upon the development of funding instruments, and identifies the outcomes those pressures produce in terms of the focus and accessibility of programme funding. It demonstrates that in the implementation of such funding instruments, organisations that are structurally embedded within a network and institutional environment will prove to be more successful in forming partnerships and gaining funding. The methodological approach is qualitative and relies upon semi-structured interviews, documentary evidence and observations in offering an account of the process of funding development, implementation and distribution. This study rejects the use of a single theory in understanding resource distribution and demonstrates the need for a multi-faceted approach that encompasses the institutional environment in which funds originate. The process of programme development within the main governing institution demonstrates the pressures of institutional values and bureaucratic norms upon the frameworks, providing evidence for the perpetuation of norms and the need for legitimacy as stronger influences upon programme design than the achievement of policy goals. The implementation of programmes and subsequent development of projects demonstrates the structurally embedded nature of successful organisations and the influence of governing institutions in the development of successful project bids.

## **Declaration**

Except where specific reference is made to other sources, the work in this thesis is the original work of the author. The work contained in this thesis has not been published in any form, and it has not been submitted in whole or in part for any other degree.



## **Acknowledgements**

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## **Abbreviations**

AM	Assembly Member – National Assembly for Wales
CVC	County Voluntary Council
EC	European Commission
EOI	Expression of Interest
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
FOIA	Freedom of Information Act 2000
GDP	Gross Domestic Product
GOWA	Government of Wales Act
MLG	Multi-Level Governance
NAfW	National Assembly for Wales
NGO	Non-Governmental Organisation
NPM	New Public Management
OECD	Organisation for Economic Co-operation and Development
PMC	Programme Monitoring Committee
TCE	Transactions Cost Economics
WAG	Welsh (Assembly) Government (Pre 2011)
WCVA	Wales Council for Voluntary Action
WEFO	Welsh European Funding Office
WEPE	Welsh European Executive – renamed as WEFO
WG	Welsh Government (Post 2011)

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## **CHAPTER ONE**

### **Funding programmes – From the EU to the Regions**

This thesis examines the issues raised by the use of funding instruments, and how these instruments impact upon the landscape of voluntary and statutory sector organisations and their activities. This chapter will define the research problem and the research question to be explored in this thesis, and will outline the contribution to knowledge made in this study. Finally, this chapter will provide an outline of the thesis structure.

The academic literature concerning the funding of the voluntary sector commonly holds that resources such as funds are scarce and must be competed for (Benson, 1975; Peteraf, 1993; Yuchtman & Seashore, 1967). This concept of a field in which organisations compete for resources encompasses theories ranging from network analysis (Klijn, 2008), to resource dependency (Oliver, 1991) and to social capital (Bourdieu, 1985) to name but a few concepts and models that have been applied to the voluntary and statutory sector environment. Another body of literature demonstrates the linkages between the state and the voluntary sector (Carmel & Harlock, 2008; Lewis, 2005; Saidel, 1989), particularly in terms of service delivery and procurement, and considers themes such as transaction cost economics and bounded rationality (Carroll & Teece, 1999; Simon, 1997; Williamson, 1989 & 1981) as well as models of state delivery, such as New Public Management (Dunleavy & Hood, 1994; Lane, 2000; Osborne, 2006). Further literature discusses the structure and behaviour of the state (du Gay, 2000; Hall, 1993; Parsons, 1968; Weber, 1989), and its ability to implement policy goals through engaging external delivery agents (Hodgson, 2004). These individual bodies of literature are able to effectively scrutinise different elements of the process of funding distribution, looking closely at the individual steps in the process, such as negotiation of policy, bureaucratic development of programmes, or collaborative activities. Whilst it is necessary to look closely at these individual steps, the

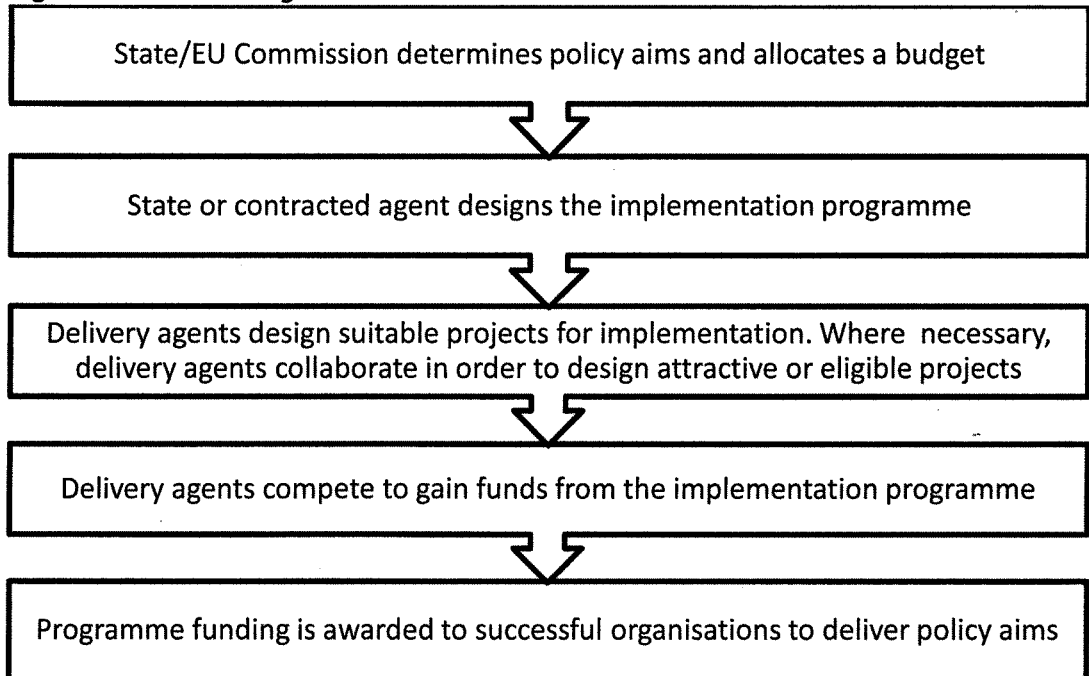
scrutiny of individual processes prevents a coherent picture of the whole process being formed. This study shows that these individual activities do not fit together in a tidy sequence, rather they overlap and influence events later in the chain of activity.

There are few examples in the literature that have pulled together themes of power, institution, network and structural embeddedness to explore the process of resource distribution by governing organisations to achieve policy goals as a single, complete course of activity (as illustrated in Figure 1.1). This gap in the literature highlights a lack of understanding of how individual steps in a resource distribution process fit together and, as a whole, create specific conditions in which only certain organisations are able to engage with a programme. This study attempts to fill this gap by using a case study to illuminate how this works in practice.

The process of resource distribution begins in policy determination at government or supra-national organisational level, and progresses from there through to the task of designing the funding structures. This activity includes setting criteria such as organisational eligibility, determining what requirements or terms and conditions will be attached to the funds, project composition and project value. When the programme structures are fully agreed within the governing entity, the process enters the implementation phase. At this point the programmes are opened to application from the network and organisations must either, depending upon programme criteria, compete or collaborate in order to secure funding.



**Figure 1.1**      *Funding Cascade*



The purpose of this thesis is to fully explore this flow of funding, and to use a case study to demonstrate how institutional factors and the network context combine to determine the final destination of funding originating from governing organisations.

In selecting a case to explore the research problem, consideration was given to the contemporary and significant funding streams operating in the UK at the time of the research period that had substantial impact in the policy or geographic area in which they were situated. Considered to be of particular consequence were the European Social Funds (ESF), of which Wales had been awarded well over £1 billion during the programming period 2007-2013 alone, accounting for approximately 3% of GDP (or 0.55% of estimated GDP annually for the 6 year funding period). From this fund a significant portion of funding would be awarded to a range of voluntary and statutory sector organisations to reduce social and economic disadvantage. Further consideration of this particular case and the environment in which it was situated refined the research question and focused the study to reflect on the additional influence of supra-national bodies upon funding instruments.

Several questions were raised in the review of the literature, and these concerned themes of power, networks, resource dependency, embeddedness and bureaucracy. The European dimension added another layer of questions relating to institutional environments and MLG, as ESF has been shown to have more stringent requirements and an additional layer of bureaucracy (Bachtler & Taylor, 2003; McCabe *et al*, 2010) compared to funding programmes devised solely by national bodies. In order to encompass both institutional and network contexts that dominated the literature concerning funding distribution, the research question developed was:

‘How do institutional factors and network context affect funding distribution and the composition of partnerships? How can this be demonstrated using ESF in Wales as a Case Study?’

This question assumed that no single theory would uncover the full process of the development and distribution of the funding instruments and the consequent effects these actions have in the field. From this question, four key research questions were developed to provide structure to the study and to produce the information with which to answer the main research question. These key research questions were:

1. How did institutions and power relations shape the structures of the Welsh ESF programmes?
2. What kinds of relationships exist between governing entities and the network and how do they operate?

3. How do decision-making processes in networks influence how organisations are selected for funding?
4. How does organisational dominance in the network shape the distribution of funding?

Consideration of these questions shaped the literature review within the next chapter, and formed the basic structure for the theoretical framework described in chapter three. They also guided the analysis of the information collected. In addition to these questions, the concluding chapter also reflects upon the relative importance of the influences deemed to be acting upon the process. In asking these four questions, sufficient information was gathered to answer the overarching research question.

The contribution to knowledge that this thesis makes is the demonstration that the distribution of funding from governing organisations is affected by both institutional factors and the network context, and that there is no single theory evident in the literature to explain how funding distribution truly operates. These institutional and network factors frame the structures designed by a governing entity for distribution of the funds and this thesis proposes that the institutional influence creates conditions in which only a small pool of structurally embedded organisations are genuinely able to compete to enter into partnership projects to apply for and secure funds. The thesis demonstrates that these factors shape the course of the funds from the time they are budgeted for a specific policy aim, through to the interpretation and structuring of those goals by distributing organisations, and finally to their implementation in the network. They do this by orienting the focus of funding programmes towards increasing the governing organisations power and legitimacy, and confining the scope of the programmes to reduce eligibility in the voluntary sector. Further, the implications of this influence are that funds can be directed

towards a specific type of organisation that is better placed to compete for funds, and the process will exclude others, regardless of their capability to achieve policy goals.

This thesis illuminates a significant gap in the application of existing theories to explain complex, multi-step processes such as funding distribution, and demonstrates that a layered, multi-theory approach is superior to the use of a single theory in understanding these processes.

## **1.2**

### **Why ask this question?**

The subject of European funding in Wales has been considered by several authors. Royles (2006), Entwistle *et al* (2007) and Bristow *et al* (2008) have been among those to consider the multi-level and civil society aspects of the funds, whereas the Welsh Government and the European Commission (EC) itself have carried out extensive monitoring and evaluation of the end-level outcomes for service users which can be found in the Welsh Government's own publications. There is, however, an apparent lack of other studies that have addressed this process of funding design and distribution into the network as one whole activity. Rather, studies have been broken down to look at distinct aspects of the process, such as the design of the structures that channel the funds into certain organisations, the factors that shape their relationships and the wider network, from both differing perspectives of the institutions that design the programmes and the resulting effects on the network members that are expected to deliver the desired outcomes. This process is of great significance for both the recipients of services delivered and the organisations that gain funding to deliver those services, as it can determine organisational survival and affect their wider contribution to their local communities. This case study of the whole course of funding provides a unique insight into how decisions taken several steps removed from the network determine the successes and failures of organisations engaging in ESF funded projects. In particular, this thesis directs a spotlight towards the way in which a model of

MLG allowed relationships, processes and attitudes to institutionalise, and is critical of the orientation the Welsh Government developed towards this institutionalising activity with the EC, at the expense of developing accessible and policy-effective funding instruments.

Themes of power and institution emerged strongly in this study, illuminating structures that directed funding to organisations already in positions of relative power within the network. These same structures served to exclude organisations not in positions of power or with sufficient capacity or standardised processes to respond to the requirements of the governing institutions.

The findings of this research demonstrate a clear lack of meaningful inclusivity of the voluntary sector in the delivery of ESF funded outcomes. Whilst inclusivity is not necessarily fundamentally linked to success in achieving the outcomes desired, it is a key theme running through the ESF programme requirements and through the Welsh Government's rhetoric on engaging the voluntary sector (Bristow *et al*, 2008). As such, the lack of evidence for meaningful inclusivity of the voluntary sector uncovered by this research demonstrates a clear difference between the Welsh Government's commitment to being inclusive of the sector, and its actions in engaging the sector in delivering ESF funded outcomes.

### **1.3**

#### **Thesis structure**

The thesis begins by broadly reviewing and critically appraising the literature relevant to this field of interest, and this review is primarily concerned with the development of funding and policy instruments by governing bodies, and the activities involved in the funding of service delivery organisations. This review covers themes of power, institution, bureaucracy, competition, games and networks. An awareness of such relevant themes

provides a sound basis for the research, and will highlight and explain areas of interest. This review identifies and appraises historic and contemporary academic thought in these themes. It examines a range of ideas, concepts and theories that have previously been employed to uncover the varying successes of voluntary sector organisations in gaining funding, and the influence of institutional and bureaucratic norms and values on those funding processes.

Building on the literature review, the third chapter narrows the field of literature, and focuses more closely on the relevant theoretical considerations that structured the research and that were used to explain the case under the microscope. This chapter looks at theories of the institution, of power and of the network, and creates a framework for analysing the evidence collected.

In order to gain a deeper contextual knowledge of the specific environment in which this case study takes place, a consideration of Welsh institutions, politics and network operations is provided in the fourth chapter. A working knowledge of the Welsh voluntary and statutory sector environment is necessary in order to identify the main actors, to understand the financial and political pressures affecting organisations, and to understand the structures governing the bureaucracy at the heart of the network. This contextual discussion will provide an overview of the political and operational structures applicable to Wales, from the EC to the Welsh Government and its relevant departments. It will also highlight the financial pressures that may influence voluntary sector organisations and the complex relationships between the voluntary and statutory sectors, and will provide sufficient detail on the requirements of the ESF programmes in Wales to understand the concerns of the participants involved in this study.

The fifth chapter will detail the research methods used, and the practical aspects of this study. This chapter provides a clear rationale for the use of the case study method to explore the research question chosen, and demonstrates why this choice was the one most suited to the question. This chapter also provides information on the research activities involved in this case study, and will describe the information gathered, how this information collection activity was conducted and the basis of the analytical process. An ethical discussion is included within this chapter to reflect on any aspects of the case that may be sensitive or that could be identified as unfair or biased, and will examine the researcher subjectivity to the case in question.

The analysis of this case study is split into two chapters. These are integrated visually in diagrams at the beginning of each chapter, and theoretically through bridging themes such as structural embeddedness, governance and strategic bridging. The first, chapter six, uses the concepts of institution, power relations and bureaucracy and the theoretical structure set out in the theory chapter to analyse the behaviours of the governing administrations that shaped the development of the ESF instruments. The second analysis chapter, chapter seven, focuses on the network environment in Wales and analyses how organisations positioned themselves to elicit the greatest benefit from statutory sources. This chapter also considers the concept of power within the network context and the analysis shows how those organisations that were most central and structurally embedded benefitted from the ESF funding programmes disproportionately to those organisations on the periphery of the network.

The concluding chapter provides a summary of the study, details the limitations of this study, and considers alternative and contrary views that could question the findings of this research. The implications of the findings of the research are explored, with reference to the Welsh Government's focus on both its perceived status in Europe and on

institutionalising links with the EC, and with regard to the way both the statutory and voluntary sectors engage in policy delivery through funding programmes. Within this chapter the potential for further research that would build upon the findings of this thesis is also considered. Appendices, a glossary and a bibliography are provided to the rear.



## **CHAPTER TWO**

### **The Complexity of the Funding Environment**

This study will look closely at the processes involved in the development and distribution of European Social Funds (ESF) in Wales, and as such, this chapter will explore a range of literature relevant to the study of funding programme design. Mindful of the overwhelming volume of literature that could be considered relevant to the study of a European funding development and distribution process, the review is confined to the scope of the overarching research question and the key sub-questions. This chapter aims to draw together and make sense of the range of literature relevant to answering the research questions, and uses the literature reviewed to highlight the key themes in understanding funding programmes. Institutional and bureaucratic environments, voluntary and statutory sector partnership working, governance and the network environment are of specific use and interest to this study. The funding process studied in this thesis can be considered as both a bottom-up process, in which network factors affect organisational ability to engage, and a top-down process, in which institutional and MLG factors define the programme structures that dictate organisational eligibility. As such, the review will use literature that will illuminate the process from both the institutional and network angles, drawing heavily on the work of Klijn (2000, 2008) in the study of networks, of North (1993) and Fukuyama (1999) in institutions, and Hooghe and Marks (2001), in MLG.

The chapter will begin with an overview of the environments within Wales in which this study is located, namely the public and voluntary sector spheres, and the funding instruments that affect them. Literature on the voluntary sector in the UK (Kendall & Knapp, 1996; Kendall, 2003), and in Wales (Hodgson, 2004) situates the network environment for the study (with more specific Welsh and European contextualisation in Chapter 4). The chapter then reviews the literature on the network environment (e.g.,

Ansell, 2000; Klijn, 2008), and the web of relationships and interdependency that characterise it (e.g., Benson, 1975; Glaskiewicz, 1985; Oliver, 1997).

The discussion of the network context identifies the influence that policy and governing bodies have with regard to funding entering the network, and therefore the chapter progresses to look closely at the literature on governing organisations and their use of funding instruments to achieve social outcomes. Many of the issues experienced in the field and concerning partnership link back to the organisations from which the funding originates. This discussion also touches in the notion of strategic bridging, which is distinct from governance, and is a more intrusive interface between governing organisations and network organisations.

Throughout the review of the literature, power emerges as a common thread running through the research. Whilst this study does not seek to specifically investigate power itself as a concept<sup>1</sup>, the study uses power to analyse interactions and demonstrate how systems and institutions are structured. The literature on theories of power therefore frames the information in questioning how funding is structured and distributed, how organisations appear to be more successful than others, and how this affects the project partnerships developed in line with these requirements.

The literature reviewed reinforces the belief set out in this thesis that both network and institutional factors are relevant in shaping the funding distribution process, and in particular the institutional factors that impact the network environment. Importantly, the literature helps to refine the research questions in identifying key themes such as legitimacy and structural embeddedness, and highlights the importance of institutional factors that impact on the network environment. This chapter demonstrates that the

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<sup>1</sup> That is, it is not the intention of this study to research themes or models of power

network environment in general is extremely sensitive to the decisions taken within governing organisations with regard to the development and implementation of funding programmes, and this review focused research questions 1 and 2 towards understanding the institutional pressures on the network. The literature reveals that the influence of the institutions involved shapes the activities of organisations within the network, and that certain organisations gain success in securing funds through the use of power and relationships.

## **2.1 The Context of the Welsh Voluntary Sector**

The voluntary sector has been shown to be a key deliverer of services for the state (Kendall, 2003) and the literature presented in this section shows that over the last 100 years, the sector has become embedded as a partner into the formulation, management and delivery of state policy goals. A large sum of ESF funding was dispersed into the voluntary sector in the 2000-2006 programmes in Wales, and an understanding of the sector is relevant to understand what this funding means to it. The literature reveals both areas of weakness in the Welsh voluntary sector, and the structural support put in place by the state to support its role in policy development and delivery.

The voluntary sector, often referred to as the third sector or civil society (Alcock, 2009; Royles, 2006), occupies the space between formal government and the individual's own sphere, where groups of individuals are able to form independently and voluntarily (Hodgson, 2004). The contemporary view of the sector is one defined in normative terms as a set of organisations that carry out the process of promoting and demonstrating the morals and values that enable social cohesion (Etzioni, 1996). This sector has, since the 19<sup>th</sup> century, been used as a tool by the state to achieve ends it could not meet acting independently. The relationships between state and voluntary sector have shifted over

time (Lewis, 1999). Some areas of the voluntary sector have become more formalised institutionalised extensions of the state, such as educational establishments, and some have become informally institutionalised extensions of the state, such as clubs and associations sponsored by government. Other voluntary sector organisations have asserted a more independent role, such as campaigning organisations (Kendall & Knapp, 1996).

Lewis (1999) noted that the evolution of the voluntary sector as a separately defined sphere of activity arose during the 19<sup>th</sup> century, during which period it was seen as desirable to minimise government and central bureaucracy. This was also a time when prevailing religious beliefs encouraged the individual practice of voluntarily providing time and resources to helping those in need. The belief in personal obligation to contribute to voluntary charity activities as a core part of a democratic society persisted, and was re-invigorated in the post-war periods, becoming more organised, more formalised, and developing specific expertise. This evolution of the sector prompted a closer relationship between the voluntary sector and the state, and between 1960-1990 the state gradually took a more pluralist view on the procurement of services for the 'welfare state', enlisting multiple agencies to deliver services. This integration of an organised and professionalised voluntary sector into state service delivery then fed the shift in prevailing public opinion to expect the state to provide increasingly complex services for citizens (Lewis, 1999).

There is, therefore, an established expectation by the public to receive a range of state-funded services, often supplied through voluntary sector agents. This practice and expectation of the voluntary sector as a state deliverer consolidates the importance of research question 2 in uncovering the links between state funding and service delivery, and the organisational factors that mould the relationships between the two.

The principles of New Public Management<sup>2</sup>, represent a departure in public governance over the last 25 years (Lane, 2000), impacted significantly on the voluntary sector. This change generated growth in the voluntary sector and encouraged competition (Leat, 1995), and government actively promoted the voluntary sector as a favourable alternative to provision by the state (Kendall & Knapp, 1996). Since the mid-1990's, the voluntary sector has been increasingly incorporated into the policy and delivery activities of UK government, engaging in consultation, the design of interventions and practising a new and inclusive approach to social policy (Alcock, 2009), and this has been against the backdrop of the New Labour governments of 1997-2010. Tony Blair, former British Prime Minister, stated that government is limited in its social sphere, and that the 'Third Way' promoted by the New Labour government accommodated this limitation and the strengths of the voluntary sector in bridging this gap (Blair & Schroeder, 1999).

New Labour moved away from the market-orientated language of the previous Conservative government and adopted an approach that, on the surface, appeared more inclusive, using terms such as 'partnership' and 'collaboration' in reference to business with the voluntary sector (Alcock, 2009; Lewis, 1999). This new inclusiveness became part of New Labour rhetoric, with policy discussions moving towards 'mixed economies of welfare' and redefining the state (Giddens, 2000; Hodgson, 2004). There was a key difference between the New Labour and the previous Conservative government's approach to the use of the voluntary sector in policy delivery. This centred around New Labour's increased emphasis on partnership between the voluntary sector and the state. The Conservative governments of Margaret Thatcher and John Major allowed for a competitive market approach to engaging the voluntary sector, which was primarily contract based. The government put out a tender, the market competed to deliver it, and there was little

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<sup>2</sup> The term 'New Public Management' (NPM) refers to the modernisation of government policies since the 1980's to create a more effective public sector. This NPM in its early form looked to market-based, competitive approaches to service delivery that would reduce costs and increase efficiency. Discussed in detail in section 2.8.3

consultation between the two organisations in the policy requirement or method of delivery. The New Labour approach continued to utilise the private and voluntary sectors to deliver its policies, but couched its relationship with the voluntary sector in terms of partnership, with the state and civil society working together to facilitate policy outcomes and to act as controlling influences upon each other (Giddens, 1998; Hodgson, 2004).

An important feature of the voluntary sector that increases its appeal to government is the level of public trust invested in it compared to the public sector (Hodgson, 2004). The values associated with the voluntary sector are seen by the public as very different from those of the state or market, and as such the statutory sector is able to utilise this to further its own programmes (Hodgson, 2004). This has possibly, however, as argued by Hodgson (2004), resulted in an idealisation of the voluntary sector and has increased the burden upon voluntary sector organisations to be involved in policy making and service delivery on behalf of the state. The New Labour administration recognised that the Third Way had the potential to stifle the voluntary sector in this way, and that care needed to be taken to avoid this occurrence (Blair & Schroeder, 1999). However, there is little evidence that in practice the statutory sector has taken any measures to avoid 'policy overload' (Paton, 2006 p75) or 'partnership fatigue' (Douglas, 2009 p16) in the voluntary sector.

The voluntary sector in the UK has been shown to have become a key player in policy development and delivery. Indeed, this status has been shown to be potentially burdensome (Douglas, 2009; Paton, 2006). The UK sector as a whole, however, has different characteristics to the Welsh voluntary sector, and it is this environment which needs further scrutiny.

### **2.1.1 The Welsh voluntary sector**

Wales certainly has an engaged voluntary sector (Bache & Bristow, 2003; Royles, 2006) that delivers policy outcomes for the state. There is, however, very little evidence that the sector has the maturity, expertise and independence to scrutinise and engage with the state effectively. In the early days of the Assembly Day (2000) noted the perceived weakness of civil society in Wales, compared to England and Scotland, and noted a lack of distinctive 'Welsh' identity in much of Welsh civil society. Later, Nicholl (2010) reflecting on a decade of civil society growth, argued that civil society required further development and strengthening in Wales, in particular if a 'yes' vote in the 2011 referendum was achieved<sup>3</sup>.

Wales has often been grouped with England for research purposes (Day, 2006) and this has led to a lack of data on the voluntary sector in Wales individually. This is due to the fact that Wales and England have historically had a close legislative and regulatory union, and as such, many Welsh organisations have grown up as regional branches of their English big brothers rather than as independently constituted organisations. The process of devolution from 1999 has however, begun a process of policy divergence for Wales (Rees & Chaney, 2011), and several authors have since carried out research into the voluntary and statutory sector environment in Wales and how these sectors interact, e.g. Bache & Bristow (2003), Entwistle *et al* (2007) and Royles (2006).

Concern has been raised at the comparative weakness of the Welsh voluntary sector to the English and Scottish sectors (Day, 2006) and this concern suggests that this weakness prevented civil society engagement in the devolution process. Indeed, the very perceived

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<sup>3</sup> In March 2011 a referendum was held in Wales on the law-making powers of the National Assembly for Wales (NAfW). The question was Do you want the Assembly now to be able to make laws on all matters in the 20 subject areas it has powers for? 63.5% of people voted yes in the referendum. The Assembly can now make laws for Wales on subjects for which the Assembly and the Welsh Assembly Government are already responsible, without needing permission from the UK Parliament first.

lack of a vibrant and experienced voluntary sector has been argued to have provided ripe opportunity for the young Welsh Government to 'manufacture' civil society and therefore to exert significant control over the sector through mandate and state sponsored social actors (Hodgson, 2004). Hodgson described manufactured civil society as groups or partnerships of organisations formed and funded, at least initially, through state initiative and statutory sources (Hodgson, 2004).

Kendall (2003) argued that the voluntary sector requires support from the state to exist and continue to be relevant and useful to the state, and that such support is structured through vertical policy intervention for specific policy items and horizontal interventions, which provide support for the sector as a whole (Reid & Mordaunt, 2009). Some of these support structures can be seen in the relationship the Welsh Government has with the voluntary sector. The 1998 Government of Wales Act contained a statutory obligation for the Welsh Government to promote the interests of voluntary organisations across all its functions. These commitments are set out in the Voluntary Sector Scheme which was first introduced in 1999 and later enshrined in the Government of Wales Act 2006. Alcock (2009) argued that this work by the Welsh Government to mandate its support of the voluntary sector still does not provide the same quality of support for the sector as in England or Scotland, and he has suggested that as a result, the voluntary sector in Wales is more dependent upon statutory grant funds than similar organisations in England. There is therefore an assumption within this research that some voluntary sector organisations have developed a certain level of dependency upon the established system of grant funding from the Welsh Government as described by Alcock (2009) and Royles (2006). This has an institutional implication, as this suggests a deep commitment by government to its established systems, and also suggests that dependency may have facilitated and accommodated both relationships and links between government and individual organisations.



This brief examination of voluntary sector literature has revealed the evolution of the voluntary sector as state deliverer, and that this relationship has become less detached and business-like and more of a partnership with the state since New Labour took office in 1997. In Wales, support for the sector is mandated. Stronger ties have developed between the state and the voluntary sector, and have perhaps in certain areas increased the state's dependence upon the voluntary sector to deliver for it. Similarly, some voluntary sector organisations have developed a dependence upon state funds, which has created a level of interdependency between these statutory and voluntary organisations. Whilst there is a paucity of data on the Welsh voluntary sector (with the exception of small amounts of data collected by the Wales Council for Voluntary Action), the literature has suggested that Welsh voluntary sector organisations have developed a dependence upon Welsh state funding. Conceptually, this is important in understanding where power lies within this interdependence. The state may be dependent upon the sector as a whole, however the plurality of the sector affords it power over individual organisational fate. Should one provider become difficult or unappealing to work with, another in the network would surely rise to take its place.

## **2.2**

### **Organisational Networks**

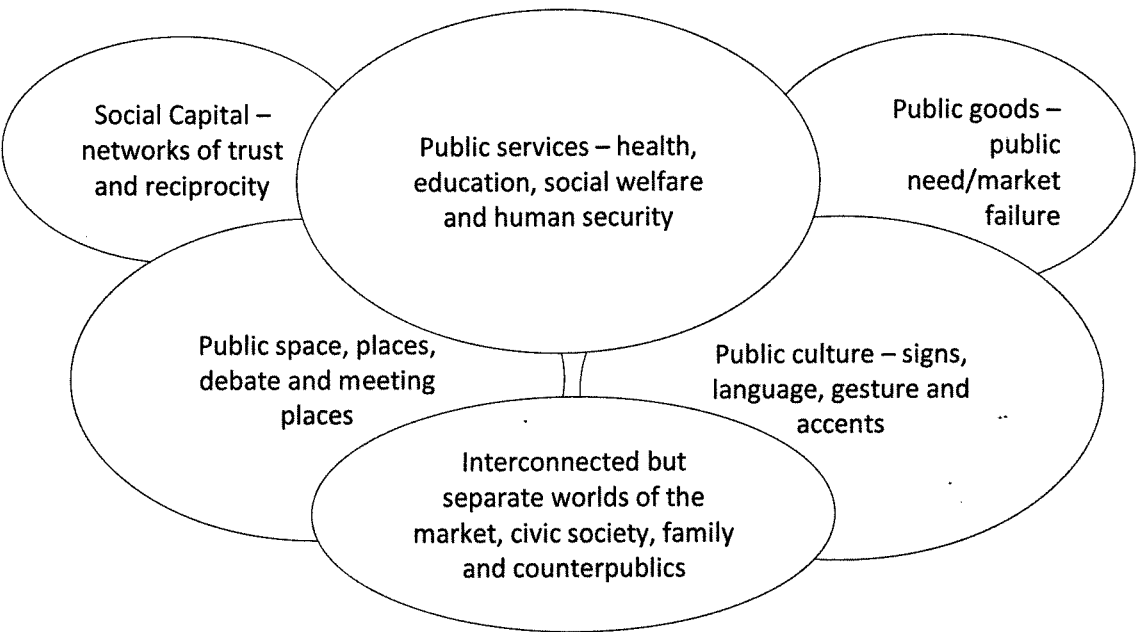
The processes affecting the eventual dispersion of funds to the statutory and voluntary sector through state-governed structures is the focus of this study, and as such, the context of the network in which organisations operate are linked and attempt to gain funding from governing institutions provides essential understanding of how funding decisions are made. This provides contextual support in refining and answering research questions 2, 3 and 4 through highlighting relational and organisational barriers to engaging with funding programmes.

The study of networks evolved from separate disciplines, mainly economics, political science, social sciences and public administration and the much older inter-organisational tradition. However, from these different origins there has been a level of convergence that has brought these strands together (Klijn, 2008). Networks were recognised to span these academic disciplines, and in practice, organisations and individuals in these networks were seen to have cross-cutting roles which encompassed policy, political and administrative activities.

Despite this convergence, different network traditions distinguish between different types of networks, with some authors favouring the method of breaking networks down into smaller and more defined sub-networks, such as policy or service delivery networks described by Klijn (2008), while others take a broader view of networks that encompass a range of activities and priorities (Ansell, 2000). The approach taken will often depend on the scale and level at which the research is conducted, with very specific, thematic studies focusing on smaller sub-networks, and studies encompassing multiple environments or levels using a broader view that accounts for horizontal and well as vertical linkages.

The recognition of how networks operate in society, in particular in the interactions between the state, voluntary and private sectors, is key to understanding the interdependence of organisations that work to achieve complex and cross-cutting social goals (Koppenjan & Klijn, 2004). The multiple and overlapping boundaries of the public domain are set out in Figure 2.1 below. Although Drache is addressing the concept of global governance, this is scalable to the national and sub-national levels and provides an overview of the relationships explored in this study.

**Figure 2.1 The overlapping and multiple boundaries of the public domain**



**Source:** Drache (1999)

Actors attempting to address so-called ‘wicked issues’ that cut across several policy areas are generally dependent upon the resources of other organisations to achieve their goals, and this results in clusters of interactions between organisations around specific policy issues (Koppenjan & Klijn, 2004). Over time, these relationships become institutionalised, rules and values<sup>4</sup> governing behaviour emerge, and the level of trust organisations have with one another increases (Fukuyama, 1999), which leads to further diversification of collaborative activities (Biermann, 2008). This is because organisations that have a history of successful collaboration and that have trust are more likely to choose to work together again, rather than seek out other potential partners with whom they have no history or established level of trust (Teisman & Klijn, 2002; Sherlock *et al*, 2004).

Networks, therefore, generally create a structured environment in which interactions occur. This environment can have a certain fluidity and can accommodate competitive

<sup>4</sup> Rules refer to the structures and requirements of interaction and social relation in the given environment. Values consist of a core set of principles deemed to be desirable by others within the same sphere of activity, and will be derived from membership of it.

action, but it can also be subject to institutionalisation. The network is a field of play, and within this field, further themes such as resource dependency, competition and collaboration are relevant to understanding and answering the research questions.

## **2.3**

### **Competing for Resources**

Within discussions that include an element of competitive funding, the themes of resource and resource dependency emerge in a range of literature (Benson, 1975; Galaskiewicz, 1985; Oliver, 1997; Pfeffer & Salancik, 1974). This has echoes of the power-dependence relations proposed by Emerson in 1962. This concept is relevant to voluntary sector organisations, in particular those that source the majority of their funding from the state, as it demonstrates how these organisations can come to be focused on state policy goals and management and delivery of programmes.

Resource dependency theory first attracted interest in the 1970's and 80's, and it seeks to explain organisational and inter-organisational behaviour with regard to critical resources which any organisation must have in order to survive and function. This theory shows that an organisation will orient itself towards the source(s) of the resources it requires, and will become dependent on those organisations that control those resources. Their orientation towards the source of their funding is perpetuated by repetition of receipts from that one source, and this results in institutionalised relationships between the two organisations, as actions are repeated and assigned ceremonial and financial value.

The dependence organisations develop on the source of their resources constrains and controls organisational behaviour, as the necessity for resource overrides other considerations (Alexander, 2000). At the public sector level, this could manifest in a governing body or its department becoming focused in a particular area of policy

development and delivery, as resources they acquire from external sources, such as Europe, have overarching policy goals attached to them. In order to acquire the large resource, policy is therefore focused in the area directed by the funding. Similarly, at a voluntary sector network level, organisations oriented towards state policy delivery may choose to avoid diversifying into areas which would not attract funding from the state. Others may choose to respond positively to policy consultation, even where they have negative feelings about it, for fear of biting the hand that feeds.

The dependence organisations have upon the origin of their funding is argued to drive their inter-organisational behaviour in times of resource scarcity, as organisations compete with each other for available resources. The literature suggests that any organisation will attempt to preserve organisational autonomy (Galaskiewicz, 1985), and as such will use a variety of strategies to manage their constraints and dependencies and to compete for available resources.

Whilst 'resource' in this section has referred mainly to funding, for which organisations compete, expertise can also be presented as a resource. This particular resource relies much more on interdependence between organisations, as expertise occurs outside organisational boundaries and is dispersed within a network (Quintas, 2002). As such, games must be played with regard to the acquisition of not only financial, but other vital resources.

Critics of solely resource-based approaches argue that it is at this point of strategizing and inter-organisational relations that the theory falls down (Oliver, 1997). Decisions taken by organisations in developing their strategies are often not based solely on acquisition of resource, but are influenced by a strong network and social dimension. The development of trust or the historic institutionalisation of relationships between organisations discussed in

the previous section is not fully taken into account by the resource dependency model, and further scrutiny of the variables involved in organisational strategies within the network is required to understand how those develop.

Resource dependency illustrates clearly how organisations become dependent upon single sources of funding, such as the state, and become oriented towards those funders. It remains, however, to determine how competition evolves into cooperation and how activity then becomes institutionalised.

## **2.4 A game-theoretic approach**

As the previous section has shown, resource limits will prompt the occurrence of competition between organisations to acquire the resources available (Benson, 1975). This section will show that competition in a network is not so much a series of one-off competitions, but more a web of linked interactions. Where competition occurs, each organisation is likely to strategize in order to maximise their chance of success (Benson, 1975; Oliver, 1997). As such, a consideration here of the literature on 'games' and game theory describes the motivations and actions of organisations studied for this research in competing for ESF funds.

Game theory asks how rational but self-interested individuals can come to mutually beneficial arrangements for a community as a whole whilst they are at the same time being tempted to abandon cooperation in the hope of achieving greater individual benefits (Davis, 1997; Myerson, 1991; Fukuyama, 1999). The classic problem in game theory, the Prisoner's Dilemma, demonstrates the strategy available to individuals, and the perceived benefits tempting individuals away from cooperative outcomes that would be mutually beneficial (Rapoport & Chammah, 1965). Table 2.1 illustrates the classic game.

**Table 2.2      *The Prisoners Dilemma***

		Prisoner A	
		Co-operate	Defect
Prisoner B	Co-operate	Both rewarded for mutual co-operation	Prisoner A goes free Prisoner B is punished
	Defect	Prisoner A is punished Prisoner B goes free	Both punished for mutual defection

Whilst in a one-off game the 'Nash equilibrium' (named after the Nobel prize-winner John Nash<sup>5</sup>) suggests that individuals will take the self-interested option based on others choices in order to receive the greatest reward, Axelrod and Hamilton (1981) demonstrated that repeated simulated games resulted in increasing trust between individuals, stability in interactions and gradual acceptance of cooperative strategies as the best course of action. Within a network environment in which organisations are interdependent, competition for resources will emerge if resource scarcity occurs (Benson, 1975). Competition will therefore, prompt the occurrence of games within the network, however recurrence of games has been shown by Axelrod and Hamilton (1981) to increase cooperation, and this may increase the likelihood of partnership and collaboration between organisations bidding for funding.

The concept of 'games' has emerged in a range of the network based literature (Allison, 1971; Kenis & Schneider, 1991; Klijn, 2008; Klijn & Teisman, 1997; Koppenjan & Klijn, 2004; Lynn, 1982; van Bueren *et al*, 2003) and these authors propose that within any network there will be individual and simultaneous games in play in which different actors are competing for resources. This has some echoes of the resource dependency literature that gained popularity in the 1970's and argued that all interactions between organisations were based upon the fluid possession of the scarce resources of power and funding (Aldrich, 1979; Cook, 1977; Pfeffer & Salancik, 1978; Van de Ven & Walker, 1984). However, game theory discussions that built on this early work within the network literature recognise

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<sup>5</sup> The Nash equilibrium occurs when , in a game of two or more players, no individuals player is able to achieve a more positive result by unilaterally changing their strategy

interdependence as a far more significant base for interaction, and these take into account a wider range of factors than resource alone (Thorelli, 1986).

Game theory sets out outcomes of interactions in a game setting, rather than addressing the underlying assumptions that drive organisational strategy in a multi-game environment on an uneven playing field, such as the network environment in Wales. As such, this literature should be supplemented with considerations of extra-game factors to understand how funding is distributed within a network environment.

## **2.5 Managing the Network**

In order for the state to have a collaborative relationship with the voluntary sector, and for multiple games to be operating within the network, the state would be acting in an authoritative role (Benson, 1975). In this role, the literature reveals how the state can mould activity, and this is relevant to understanding in this study how the state had the authority and freedom to manoeuvre and decide which organisations would gain funding.

Depending upon the manner in which the network is categorised, it has the potential to be large and unwieldy, and may not have defined boundaries or members. As such, several authors have proposed that many networks are to some extent managed by a network manager (Agranoff & MacGuire, 2003; Kickert & Koppenjan, 1997; Koppenjan & Klijn, 2004). Klijn & Koppenjan (2000) proposed that network management is a process of mediating and co-ordinating inter-organisational policy making. Mandell (2001) concurred, adding that it is also an integral part of the manager's role to select appropriate actors, develop ways to cope with inter-organisational and operational complexity and minimise obstacles to cooperation. Koppenjan & Klijn (2004) have suggested that a network manager is not necessarily recruited, nor tasked with managing the network, and that there could be



any number of network managers operating simultaneously around different issues or from different locations within the network. Rather, these individuals are responsible for facilitating and stimulating interaction as actors performing duties for their employer, bringing organisations together to achieve the goals that their organisation has tasked them with achieving. Meyer (1972) observed this process of network management within large organisations, occurring where decentralisation processes caused an increase in interdependence between differing sections of the organisation and identified that this prompted a need for a coordinating function.

Similar tendencies were noted by Huxham and Vangen (2005) for the potential for collaborations or partnerships of organisations drawn from a network to be led by the structures or processes designed by external agencies or government. This imposition of external structures on a partnership removes significant power from the members and places it in the hands of the administrative or regulatory body in which civil servants will be operating to different organisational values and priorities (Huxham & Vangen, 2005).

Within this study, the distribution activities of governing organisations could have extended to network manager activities to shape projects to which funding is directed, and this would have involved a level of management or mediation within the network. This activity of network management at the institutional level has been referred to as governance (de Bruijn & ten Heuvelhof, 1997) and this provides for the institutional influence to exert itself beyond its defined organisational boundaries, drawing network organisations into the centre and further institutionalising relationships and ties. Fukuyama (1999) argued that this kind of hierarchical and organised structure imposed upon the network is actually very necessary in order to ensure institutionalisation, where the network actors develop appropriate norms and values that will benefit the network, rather than de-stabilise it. This

is an interesting juxtaposition between Huxham & Vangen's (2005) arguments and Fukuyama's (1999).

A more participative method of network management is that of strategic bridging or central brokering, in which dispersed organisations require an organisation to bridge the gaps between them in order to collaborate for the purposes of achieving goals that individual organisations cannot achieve acting alone (Brown, 1983; Gray, 1989; Lawrence & Hardy, 1999; North, 1993; Waddell & Brown, 1997; Westley & Vredenburg, 1991). The strategic bridge behaves in a similar fashion to the network manager, however is more directed at specific outcomes, becomes more involved in developing the framework for action, and recognises the distance between organisations as a barrier to successful engagement of the right organisations for the job.

This contrasts with network management, in which the literature suggests the aim of the network manager is to achieve policy aims in the most efficient and economic manner, which can be to the exclusion of peripheral organisations or organisations that do not have any historical links with the network manager. With regard to the focus of this thesis, which is understanding funding distribution by governing organisations, the support of a strategic bridging organisation rather than the efficiency of a network manager would enable the organisation to wield significantly more influence over the final destination of the funds, as this body would ultimately act as a gatekeeper.

## **2.6 Partnership as concept and practice**

It has been written that 'partnership' is one of the most over-used terms in the regional policy making field, and that it is in danger of moving into the realms of banality (Morgan & Mungham, 2000). All organisations require resources in order to operate. Such resources

can occasionally be acquired from private individuals, however in the case of the voluntary sector, much of the resources needed are drawn from other organisations (Perucci & Lewis, 1989) in particular, statutory organisations. Partnership is, however, a complex endeavour, and this section explores a number of issues raised by this activity.

Partnership working has been a pragmatic and expedient method of inclusivity and co-operation, used by the statutory sector both within sectors, and cross-sectorally. It can deliver outcomes with greater efficiency and effectiveness than singular solutions; and enables more significant integration and coherence of service delivery (Mackintosh, 1992; Huxham & Vangen, 2005). It provides links which increase the contacts and information sharing channels between organisations, strengthens networks through increasing contact, co-operation and trust, and suggests it can achieve outcomes greater than those achievable by the sum of its parts. Partnership adds additional social benefit above that which is achieved by organisations acting independently (Mackintosh, 1992). Partnerships can provide valuable financial and operational stability for third sector organisations, and open up access to statutory departments and to the benefits of access, such as gaining tips on how to secure larger grants, 'hearing useful information on the grapevine' and inclusion in email distribution lists. This is a process of institutionalisation, from developing informal links between organisations, to establishing new rules and values that govern the working environment and structure further interactions.

Under the New Labour government in 1997, partnership working and collaboration was further supported as the future of relations with the voluntary sector (Chaney, 2002). As well as the interdependence recognised between organisations as a cause for partnership, organisation theorists posit that collaboration is a logical and necessary response to turbulent conditions (Emery & Trist, 1965; Astley & Fombrun, 1983). Under turbulent conditions such as resource scarcity or policy change, organisations become highly

interdependent with others in unexpected but consequential ways (Emery & Trist, 1965; Wildavsky, 1983). In the face of turbulence the ability of any single organisation to accurately plan for its future is limited by the unpredictable consequences of actions taken by seemingly unrelated organisations, and therefore aligning and collaborating with other organisations mitigates the risks that are heightened by uncertainty.

Whilst it has been shown that Wales had possibly one of the strongest commitments to partnership working in the UK, especially with the voluntary sector as a result of the Third Sector Scheme and the 'three-thirds' partnership principle on committee membership (Bristow *et al*, 2008), there have been mentions in the literature of this being more paper than practice based. Morgan & Mungham (2000) noted that in the early years of the Assembly (around the year 1999) its commitment to partnership in the context of European funding may have been wanting, and was accused of 'raj-style' management by local statutory agencies. These early preoccupations with partnership and the further commitments made by the National Assembly for Wales (NAfW) towards solidifying partnership arrangements in the first five years of the NAfW's existence would inevitably filter through to its principles of programme development such as the development of the ESF 2007-2013 programmes.

Based on information presented in the annual reports and accounts of larger voluntary sector organisations in Wales, the majority of these organisations have working relationships with statutory bodies, and have staff members named in cross sector partnerships. A typical example of this is the Sure Start programme studied by Hodgson (2004), which brings together a wide range of voluntary and statutory organisations to address cross-cutting social issues. Hodgson's paper shows how funding programmes are driven by the statutory machine, and that representation of the voluntary sector's interests in these programmes is the responsibility of the sector itself. Many organisations will have

differences in their capacity to represent their or their sectors interests, and so umbrella organisations often come into play in these situations. They are, however, not above scrutiny in their representations, and not without complaints concerning their ability to fully represent the breadth of interests held by the voluntary sector (Chaney, 2002).

In Wales, the umbrella body is the Wales Council for Voluntary Action (WCVA). Chaney (2002) commented on previous issues relating to the representation of the voluntary sector by the WCVA to the Welsh Government:

*'Doubt centred on the role of the sector's representative body the WCVA. Fears were expressed about its ability to successfully stand for the diverse views of all the country's voluntary organizations. Such reservations are still being voiced.'*  
(2002, p12)

This is in contrast with Cook (2004) who claims:

*'The danger with this [voluntary sector compact] is that the voluntary sector, and its voice the Welsh Council for Voluntary Action is seen as civil society and other sections excluded'. (2004, p9)*

There is, therefore, concern that the representative body for the voluntary sector is not able to represent the full range of interests held. Neither is there complete confidence that the government or NAFW seeks to consult beyond the remit of the WCVA, and this presents the issue of lack of real engagement of organisations outside of the accepted and usual norm.

Entwistle (2006) looked closely at the distinctiveness of the Welsh partnership agenda, and commented on the increasing volume of partnerships and collaborative programmes that have been established in Wales. He noted that private and third sector organisations are engaged by the statutory sector by virtue of their political stakeholder status, rather than with an interest in their involvement in service delivery.

This subtlety in the statutory sector's attitude to engagement can be lost when individuals try to penetrate the sheer volume and remit of the many partnerships in existence in Wales in order to understand how appointments to committees or partnerships occur. It is frequently a frustration for third sector organisations attempting to address their concerns about policy or service delivery issues to the correct forum, when the membership and ownership of partnerships is seemingly unknown or closed. Indeed, at local authority level, Entwistle states that local authorities themselves 'are struggling to get a handle on the number and complexity of the partnerships operating in their patch' and that 'there are high levels of confusion about [the partnership's] form and function, a situation not helped by the tendency of partnership advocates to oversell their virtues' (Entwistle, 2006 p228).

Similar to the Welsh context, the EU funding environment in Ireland prompted some researchers to consider the partnership structures associated with ESF funding, however even here, the literature is patchy and investigation focuses largely on issues within ready-formed partnerships rather than at the processes involved in determining which organisations would be part of those partnerships. One of the few authors to take note of the process of voluntary/statutory partnership formation in the context of ESF funding was Shortall (2004) who identified the operational difficulty in delivering partnership projects where the frameworks have been created in isolation from the very issues they are meant to address. Shortall noted that these partnerships were of dubious democratic legitimacy, and that the top-down approach taken by the state actors controlling the funds dictated

partnership make-up. Shortall's research is of significance to this study, as her findings clearly identify the power and influence of the state as drivers for partnership composition and directors of funding distribution.

Another aspect of partnership working that should be considered is that of the cost of partnership to member organisations. Partnerships generally rely on their member organisations to employ people to work on the project, to spend, and to be accountable for public money (Entwistle, 2006). There is therefore, an implied cost to becoming a member of a partnership. Casey (2004) touched on the organisational considerations of participation in collaboration, and highlights the importance of third sector organisations having the capacity to participate fully with the statutory sector. Costs to membership organisations for participating in partnerships are often unseen, and frequently not eligible to be claimed as part of the management cost of any project. When considering the time spent researching relevant partnerships, having preliminary meetings, reading papers and drafting responses, plans or position statements, some organisations may be sacrificing a significant percentage of a single employee's time to be members. This inevitably leaves the third sector organisation at a financial and operational loss, even though other future resources may be secured as a result.

This consideration of the hidden costs of partnership leads into the sphere of transaction cost economics, in which all exchanges are judged by the full cost of making the transaction happen (Coase, 1937; Fukuyama, 1999; Williamson, 1985). North (1993) suggested that the formation of institutions has a basis in the costliness of information processing, but that the very development of institutions to structure exchanges of information results in market imperfection as a result of divergence in institutional development. As such, the very rational basis for institutionalising systems to achieve efficiency may ultimately lead at a later date to costliness in interacting with similarly institutionalised external systems.





facilitation of partners. This partnership building process may exhibit elements of structural embeddedness in the choice of partners, as it has been shown that organisations often choose to work with other organisations that are known to them or their partners (Fukuyama, 1999).

This calls into question the 'fairness' of the project partnership process, as it increases the likelihood that the same organisations will work together over and over again and provides more evidence for the basis of institutionalisation of relationships. The 'haves' remain together to the exclusion of the 'have-nots', regardless of ultimate suitability for the position. Even Shortall (2004), appears resigned to the questionability in the membership process, who in the conclusion of the research stated, 'There are groups that are rarely represented, and an exercise of power is evident in the very construction of the partnership' Shortall (2004, p117).

This disparity between organisations that are able or unable to engage in policy-making processes has been broken down into two groups by Grant (2004) in a study of the 'Insiders' and the 'Outsiders' in policy development networks. Grant describes the characteristics of the Insiders as:

*'First, they were recognised by the government as legitimate spokespersons for particular causes or interests. To gain this, they needed to deploy certain political skills. In particular, they needed to talk the language of the government and civil servants in particular, the latter involving understatement and comments made in deep code. Second, having gained recognition, they were allowed to engage in a dialogue on issues of concern to them. For example, they would normally be included in formal consultation process, but more informal consultations were often more significant. Third they implicitly*

*agree to abide by certain rules of the game. Failure could ultimately lead to political exclusion'. (Grant, 2004 p408)*

This profile of an 'insider' could be applied to any number of visible individuals in the network, however this profile does not go far enough in unpicking the process of becoming an 'insider'. Furthermore, the discussion of the 'outsider' category in Grant's paper fails to show definitive characteristics, with those groups being described as either outsiders by necessity (wanting to be insiders but lacking the expertise or access) or outsiders by choice (refusing to be drawn into the government's political game), and he does not touch on the structures or institutions that can perpetuate the status of organisations as insiders. This identification of outsiders by choice or necessity does make the important distinction, however, that there are groups that want to engage with the statutory sector and are excluded from doing so, and Grant notes that issues such as education and access to resources will inevitably mean that some Outsiders are unable to make the transition to Insider.

This discussion mirrors that by Fukuyama (1999, p201) in his references to the 'old-boy and patronage networks' that are somewhat invisible and overlay the more obvious but less powerful visible networks. Fukuyama recognises that the old-boy networks are frequently based on family, social class, friendship, and these patronage networks are problematic within organisations and networks, as 'their structure is not clear to those outside of them, and they often subvert formal authority relationships' (1999, p201).

Grant's (2004) study is limited to looking at formal and information consultation processes, however it does bear on this research in terms of highlighting the gulf between the image of transparent and all-inclusive access to government that is often presented by the statutory sector, and the reality of meaningful engagement with statutory bodies remaining

with the privileged few. He noted that some groups, largely traditional Insiders, will be treated more seriously than others (Grant, 2004 p412) and whilst the paper goes on to explain this is in order to relieve pressure on smaller voluntary sector organisations to engage in policy processes, it serves to exclude the very organisations that have first-hand operational experience of issues, favouring the priorities of umbrella bodies and large multi-service organisations.

This concept of insiders and outsiders is echoed by Alcock (2009), who voiced concerns that the current method of inclusion of the voluntary sector actually only includes a proportion of organisations to the exclusion of others that lack the resources or the connections to receive the same opportunities. There is, therefore, a clear indication that political knowledge and 'access' are important in gaining access and a platform from which to influence the course of funding and success in receiving it.

In light of the literature discussing relevant elements of partnership selection, an activity which directly influences the final destination of funds which is the focus of this study, it is important to note that in some cases, organisations are simply not aware of every player in the field of operation. Studies by Galaskiewicz (1985), Boje & Whetten (1981) and Van de Ven & Ferry (1980) have all shown that not all organisations know about all of their prospective partners. In these instances, organisations have chosen only to interact with those organisations of whom they are aware, and will avoid searching out new partners. The organisations known to the state through repeated delivery of policy outputs become institutionalised in those delivery processes. This demonstrates a principle of structural embeddedness which will be discussed further in chapter 3. Whilst the state's default use of the same agencies over and over again would demonstrate a failure to act in accordance with its own commitments to working with the voluntary sector, it may be that the Welsh

Government, faced with a decision concerning organisations to fund, chose those organisations it had the strongest existing ties with.

Consideration of the state and its bureaucratic organisations, is, therefore, necessary to understand the interactions that exist between it and the network. Conceptual considerations such as bureaucratic organisation and themes of structure and legitimacy are vital in refining and addressing research questions 1, 2 and 3, and in answering the overarching research question.

## **2.8**

### **The State of Bureaucracy**

Programme development and funding is carried out by governing entities such as the state and public sector bodies, and these organisations determine policy and structure programmes to target areas of interest. Governing entities, in particular state and governing organisations, are often large bureaucracies, as shown in studies by the traditional, early authors on bureaucracy, Max Weber and Talcott Parsons, as well as more contemporary authors such as du Gay (2000). Given the state's role in the development of the ESF programmes in Wales, a review of the literature surrounding bureaucracy was necessary to bring into focus the importance of norms and values in shaping the course of programme development. Bureaucracy also emerges as a consideration in issues of management and accountability, and these will also be shown to influence the processes of policy implementation.

Weber claimed in the 19<sup>th</sup> century that the modern state was 'absolutely dependent upon a bureaucratic basis' (Gerth & Wright-Mills, 1948 p211) and that rational, hierarchical authority in the form of bureaucracy is a demonstration of modernity. Bureaucracies are debatably the most technically superior method of organising (du Gay, 2000; Parsons, 1968;

Gerth & Wright-Mills, 1948) and this is attested to by the use of this system globally, although not universally, to achieve state goals. Weber (Gerth & Wright-Mills, 1948) noted that the characteristics of a bureaucracy include the principle of fixed areas of jurisdiction structured by rules, the structured distribution of authority to give commands that are required for the performance of duties and the methodical provision of suitable conditions in which to execute official functions. Parsons (1968) elaborated on this, noting that bureaucracy involves an organisation devoted to an impersonal end, and is based on division of labour which involves 'specialisation and where individual officers observe clear cut distinctions between their professional and personal life. Above all, Parsons notes, bureaucracy involves discipline. Weber's and Parson's views of bureaucracy are strictly hierarchical and characterised by the performance of administrative tasks. Programme development in bureaucracies would therefore be subject to the same reverence for hierarchy and process. However, critics of Weber's bureaucracy argue that it is a response to Marx's views, and that Weber saw bureaucracy more as a system of domination, rather than as an ideal system for organisation (e.g. Weiss, 1983)

Weber (Gerth & Wright-Mills, 1948) noted that bureaucracy is a structure that is extremely difficult to destroy once established, and Fukuyama (1999) recognised that inefficient or counterproductive norms can persist in such systems because of the influence of transition, socialisation and culture within organisations. Indeed, Fukuyama noted that 'traditions are critical to understanding norms because people frequently act on the basis of habit rather than anything resembling rational choice<sup>6</sup>' (1999, p219) and within this study, the persistence of bureaucratic norms and values will be key in understanding the influences shaping the distribution of funding.

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<sup>6</sup> Rational choice theory states that an individual will act in a manner suggesting they are balancing costs and benefits to deduce the best strategy for achieving the biggest gain (Friedman, 1953)

Weber (Gerth & Wright-Mills, 1948) also noted that bureaucracy is essentially a power instrument, the perpetuation of which is in the interests of the civil servants and other related stakeholders whose power it reinforces. Contemporary bureaucracy in the more fragmented state of the twenty-first century is perhaps even harder to destroy, with the distance between politicians and many individual quasi-independent bureaucracies increasing (Pollitt, 2005). Bauman however, recognised the relative fluidity of 'the game of life' (Bauman, 1994 p12) and the fact that neither jobs nor organisations are likely to be eternal any more, in contrast to jobs markets of the 60's and 70's when many individuals could expect to work for one organisation for the whole of their careers. He noted that there has been a process of fragmentation in governing organisations that is changing the once singular and centralised state machine that Weber studied.

Du Gay (2000) also recognised the changes in the structure of state bureaucracy and the shift in delivery of services, noting the emergence of a government-induced, quasi-market that exists outside of the state structure but that is very exposed to any changes in government policy or decision-making. This quasi-market is composed of the voluntary sector and a private sector catering exclusively for the state, and makes up the network in which ESF funds are dispersed. Based on du Gay's assertions then, this quasi-market would be very vulnerable to any changes to established mechanisms of distributing funding into the market which would in turn, impact the organisations within the network.

Bureaucracies have been likened to machines (Gerth & Wright-Mills, 1948) in which each individual agent is a cog that has very little influence over the overall operation of the mechanism. This may well be true of the influence each cog has over the organisation it sits within, however these individual agents do exert great power over the fates of external individual and organisations, and it is at this interface between bureaucracy and the external network that friction can occur. In particular, hierarchy, which will normally occur

within bureaucracy, can cause significant friction internally and externally. Critics of Weber and Parsons' bureaucratic models suggest that the scant attention paid to the horizontal dimension excludes examination of the genuine working of a bureaucracy, and is a source of frustration both within and external to the organisation (Landsberger, 1961). Landsberger's research, as well as Dalton's study (1959), highlights the importance at a practical level of internal communication between hierarchical silos.

Often, the very characteristics that embody a 'good' bureaucracy, such as hierarchy, are the characteristics that frustrate the external individual (du Gay, 2000) and the interface between bureaucracy and the network is one of the areas in which organisational norms and values have a significant influence over which organisations engage with funding programmes. Another issue arises when individuals have ambitions outside of their assigned position in the bureaucracy. Rudolph and Rudolph (1979) rejected Weber's assertion on a bureaucracy being able to completely control its participants, and argued that individuals and small groups within bureaucracies whose personal goals are not aligned with the organisation can cause significant disruption. This brings into focus the question of how participants of a bureaucracy reconcile their personal and professional views.

Much has been made of the ethical or moral dimension to the operation of bureaucracies, from Weber writing in the 19<sup>th</sup> century to Harmon (1974), Bauman (1994), and du Gay (2000), with the debate centring over the ability of bureaucrats to perform their tasks with a rational organisational focus that potentially defies their pre-developed moral processes being argued from both sides. Bauman (1994) referred to this as procedural rationality, and exhibited a negative view of this requirement for complete procedural conformity by individual bureaucrats, which is in keeping with Bauman's generally dim view of bureaucracy. Du Gay (2000) was more favourable, interpreting organisational morality in a

more forgiving manner, and argued that this procedural rationality could be reconciled with individual morals under the overall banner of public service, although this argument does of course assume the focus of the service being performed is indeed compatible with the individual's conception of the public good.

Meyer (1972) noted that procedural, or as he terms it, functional, rationality can be performed in the pursuit of irrational ends, and this echoes Mannheim (1941) who claimed that functional rationality deprives individuals of thought and responsibility, so that they exist in a place where responsibility for their actions lies with those that decide the direction of their tasks. In researching a process in which the organisation governing the funding programmes wished to appear 'fair and transparent' in its choice of delivery agents, some consideration of how individual civil servants assessed project criteria in line with their personal view of what was 'right' and what was bureaucratically 'right' should be carried out. However this issue of organisational morality is not necessarily a question that needs to be explored in depth for the purposes of this research. It should suffice to note that individual bureaucrats are exposed to conflicting rationalisations of their duties on occasion, and with their personal and professional moral codes in conflict, there is scope for decisions to be taken that influence programme implementation and funding distribution to depart from completely rational structures.

Such rational structures do however, govern much of the processes carried out within the public sector, and the development of those structures certainly influenced the way in which the state purchased services. Within this case study this provides the potential for incremental, rational decision-making becoming oriented towards bureaucratic, rather than policy, goals. Thus, addressing research questions 1 and 2.



### **2.8.1 *The influence of New Public Management***

Over the past 20 years British institutions have implemented what scholars have termed 'New Public Management' (NPM) which gained ideological purchase in the 1980's (Hood, 1995). New Public Management relates to the increased emphasis placed on public sector accountability for results, and to the move away from uniform service delivery across the country to more competitive and cross-cutting approach to social services. It was initially implemented through the notion of reinvented government, which saw the procurement of digital technology as solutions to the problems of the public sector. Hood (1995) argued that in the 1980's politicians were recognised as being policy makers, rather than service delivery managers, and so the move away from direct state service delivery was implemented to remove ministerial responsibility for these items and place responsibility with the organisations that were now contracted to deliver them. This is reiterated by Budd (2007) who stated that one of the major principles of NPM is the separation of state functions of procurer and provider of services. This division separates the state from the expertise in delivering services, and with regard to funding or commissioning outcomes, this separation could arguably lead to dysfunction in programme design and programme delivery.

Barzelay (2001) suggested that increasing disillusionment with government amongst the public was one of the key factors in the move to NPM. Pollitt (2004) argued that this move to New Public Management was a mainly Anglo-Saxon phenomenon that was championed by Ronald Reagan and Margaret Thatcher for the purposes of slimming down government. However, Hood (1995) disagreed with this, citing common shifts in a number of OECD countries towards greater accountability and shrinking state service delivery.

Key features of the NPM that impact upon the development and implementation of funding programmes are shown in table 2.3.

**Table 2.3 Features of NPM**

NPM Feature	Example
The break-up of the centralised public sector into subject specific and quasi-independent organisations which could focus activity/blame	Establishment of Commissioners for specific areas such as Data Protection
The increase in procurement, which was viewed as key in stimulating competition and driving down prices	NHS National Programme for IT
A shift in management practice to more private sector style policies that were proven to address performance	Redesign of employee monitoring and appraisal schemes
A general need to cut costs where possible and reduce waste	Competitive tendering and outsourcing of services to the public sector such as IT, Maintenance, Human Resources
Formalised measures of performance and success and a focus on outputs	Improvements in business planning and monitoring of outcomes
General moves towards improving the legitimacy of government	The introduction of the Freedom of Information Act 2000
The production of transparent budgets and accounts	The active publication online of budgets and accounts

List compiled from: Aucoin *et al* (1995); Barzelay (2001); Budd (2007); Hood (1995); Pollitt (2004)

These principles of NPM have been cited to suggest that states implementing NPM are moving towards a more post-bureaucratic system. This model favours a more horizontal structure, a citizen-centred and individualistic approach to service delivery, and views further decentralisation as key to increasing quality in services (Kernaghan, 2000). Indeed, the NPM drive towards procurement of services, and the inevitable network dimension to the competitive environment this creates, prompts questions over whether this facilitates

the development of what has been termed post-bureaucracy (Budd, 2007; Klijn & Koppenjan, 2000).

Kernaghan (2000) described post-bureaucracy as rooted in accountability and inclusivity, with partnership being a central value and method of achieving goals. However, tools for accountability conflict with the principles of post-bureaucracy<sup>7</sup> (Budd, 2007) as they constrict the ability of organisations to act in a truly decentralised fashion. One can question whether the post-bureaucratic state exists as an inclusive and individualised model, or indeed if it is something of a mirage, exerting a subtle form of hierarchical control that is in fact simply bureaucracy at work, this time under the banner of 'governance'. Fukuyama counselled against the post-bureaucratic horizontal and decentralised model, citing 'the craze for decentralisation, organisational flattening and networks that swept through American management circles in the 1990's' as a 'naïve reinvention of the wheel' (Fukuyama, 1999 p225). He also pointed out that it is the general nature of human beings to gravitate towards hierarchical systems, given the benefits to the individuals that are able to situate themselves at the top of such organisations (Fukuyama, 1999). This has echoes of the work of Meyer (1972) who observed that wherever within an organisation decentralisation took place, policies, procedures and other mechanisms of control needed to be developed and implemented to ensure fairness and standards were maintained. Once established, these rules and mechanisms became recognised as authoritative, providing authority to those enforcing them, and became bureaucratic norms that constrained the very process they were implemented to facilitate, namely decentralisation.

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<sup>7</sup> Post-bureaucracy refers to conscious organisational reduction in traditional bureaucratic norms. Key principles include "the reduction of formal levels of hierarchy, an emphasis on flexibility, rather than rule-following and the creation of a more permeable boundary between the inside and outside of organizations — as denoted by the increased use of sub-contracting, temporary working and consultants rather than permanent and/or in-house expertise" (Grey & Garsten, 2001, p230)

### 2.8.2 *The challenges of accountability*

A key concept across both NPM and post-bureaucracy is that of accountability. Government accountability for its actions, its expenditure and its processes is key, not only in achieving good performance, but, also in maintaining legitimacy (Bovens, 2005). To be accountable is 'to have to answer for one's actions or inaction' (Oakerson, 1989 p114) and to be responsible for the resulting consequences.

The existence of accountability measures within the state administration demonstrates that decision-makers are not completely autonomous (Held & Koenig-Archibugi, 2005). Within this study, accountability emerges in structuring the programmes and awarding the funds, and in the behaviours of public sector organisations creating and leading the project partnerships. In these instances, because accountability and transparency are noted to confer legitimacy, governing bodies are expected to behave in a manner compatible with this. Therefore, there the state would be expected to act fairly and transparently, and make the funding programmes accessible to those organisations that wished to engage with them. It is, however, noted in the literature that network or historic working relations increase trust and cooperation between organisations, and this has the potential to muddy processes that have been promoted as fair and transparent (Irwin, 2006). Fukuyama (1999) possibly summarised the conflict between the state and organisations within the network possessing trusting relationships best, noting:

*'An informal norm that has evolved through the repeated interaction of individuals within a community will necessarily lack transparency, particularly when viewed by outsiders. . . The lack of transparency of informal norms often serves to disguise their origins in involuntary power relationships'. (1999, p218)*

This suggests that however fair or accountable the processes designed and implemented by governing bodies are promoted to be, the departments that create and lead projects may possibly expose themselves to accusations of unfairness if they chose to collaborate with trusted organisations.

This literature demonstrates the ability of bureaucratic procedures to creep into state structures, even where those structures were designed to reduce bureaucracy in the first place. Bureaucracy is also clearly linked to institutionalising systems, which in turn impacts upon transaction costs in determining the competitiveness of a given organisation and its product. Based on the literature examined in this section, it is clear bureaucracy cannot be reduced in one organisation or one process, so long as those processes are dependent upon, funded by or regulated by, other organisations. Bureaucracy is also resistant to change, and where one system is altered, bureaucracy soon characterises its replacement. Bureaucracy clearly endures whether programmes are decentralised or not, or whether responsibility is displaced or not, and this is very relevant to this study in analysing the bureaucratic motivations behind the changes made to the 2007-2012 programmes. Bureaucratic motivation may be incompatible with policy goals, and therefore, would distort the distribution of funding which could in turn affect those organisations ultimately able to secure funds.

## **2.9 Funding Programmes as an Instrument of State Policy**

Authors have noted that organisations, and those involved in economic policy-making in particular, demonstrate surprising continuity, even in the face of political change (Acemoglu & Robinson, 2008; North, 1990b, Heclo and Wildavsky, 1961). Some firmly established practices within governing bodies include the policy that gained popularity during the 1980's of procuring services and outcomes from external agencies (Seidenstat,

1999) as per New Public Management. This section looks further at how funding is dispersed by governing entities into the network in order to achieve state-developed policy goals, as this reveals the nature of influence the state has over network activities.

Rhodes (1994) noted that in many developed countries, the state has followed a process of increasingly procuring services from external organisations rather than delivering services itself. He coined the term 'the hollowing-out of the state' to refer to the process of increasing procurement, and argued that this meant that the state was being stripped of its skills and knowledge, and that only the higher tiers of policy and procurement remained intact. This prompted other writers to examine the phenomenon, and whilst some have concurred with Rhodes (Holliday, 2002; Jessop, 2004) there are others who argue that it is instead, a 'filling-in' of the state that is occurring (Jones *et al* 2005; Taylor, 2000). In this 'filling-in' process, the state extends its reach and influence beyond the boundaries of its own hierarchy and is able to exert its will subtly over a great number of organisations that become increasingly dependent upon it for the continuation of their funding. The funding stream at the centre of this particular case study is the European Social Fund, which in Wales, is administered by the Welsh Government. This, therefore, is a tool that the state may use to further exert its influence through the 'filling-in' theory.

Funding programmes, such as the European Social Fund, which are governed by a supra-national organisation and negotiated by nation states, are inevitably influenced by political and administrative concerns outside of the focus of the funding itself. The use of European structural funds has historically been very different between regions. Some regions have been held up as excellent examples of how these funds have been used to create and support economic development, Ireland being a good example, whilst others have

appeared to struggle, such as Campania<sup>8</sup> (Morgan & Mungham, 2000). Funds such as the ESF however, have had key priorities for organisations to address, and these are common across member states and influence the activity of the voluntary sector, directing ESF and its match funding towards the EC and member state goals.

Funding has often been used as a tool of the state by which to influence the activities of external agencies and to direct them toward favoured policy goals. Benson (1975) referred to this as an 'authoritative strategy', where a powerful organisation, such as the state, which is the main or significant funder to organisations in the network, would periodically alter the rules of the game in order to refocus the activities of the network to achieve its own policy goals (Benson, 1975). One such influence caused by funding requirements and noted by Geddes (2000) is the EU funding requirement for partnerships to achieve social outcomes. The requirement to deliver outcomes as a partnership rather than as an individual organisation has a number of implications not only for the organisations bidding to receive funds, but for the state as well. Partnerships are higher risk and have a number of variables affecting their success (Huxham & Vangen, 2005), and so all organisations involved are required to think seriously about participation in a programme with such a requirement.

The majority of voluntary organisations are primarily oriented towards their own survival (Meyer & Zucker, 1989; Morrill and McKee, 1993; Powell, 1991) and they will therefore, orient themselves towards the most reliable sources of funding to ensure that survival. This will potentially exacerbate the insider-outsider problem, as individual organisations pursue the best course of action for themselves to the exclusion of others. Guo (2007) identified the public sector as a significant, if not the most significant, of the donors to the voluntary sector, suggesting that voluntary sector organisations could not operate without the

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<sup>8</sup> Campania has been shown to have experienced difficulties due to weaknesses in its Operational Programme for ESF during Objective 1 programming periods (Polverari, 2011)

support of the state. This reliance on state funding programmes has serious implications for voluntary sector organisations, as it places them in a position where they are no longer solely holding the state to account on behalf of the public, as initially proposed by de Tocqueville in 1835 (Bevan & Kramnick, 2003). When funded by the state, these organisations are acting as its agents and have an interest in conforming to its wishes in order to continue receiving funding from it.

It is possible that the state draws into itself through the 'filling-in' theory, those organisations that would bring expertise and policy ideas under its influence, and at the same time, these organisations would refrain from biting the hand that feeds them. Funding can, therefore, be used as a state tool to increase influence over voluntary organisations' actions. Organisations orienting themselves towards the state as a significant funder could develop and institutionalise links with the state over time as a result. This can be most obviously manifested in staff links concerning administrative matters of the funding and achievement of targets, however this close alignment with the state also emerges in other areas.

Guo (2007) has noted that the desire to influence policy and secure government funding has led to reduced diversity in the management boards of voluntary sector organisations, as these organisations offer trustee positions increasingly to individuals they believe will help them acquire funds rather than to individuals that represent the communities the organisation exists to serve. Guo (2007) also argued that the greater a voluntary organisation's dependence upon government funding, the less direct power its board would have over the organisation, as the power to determine goals and activities is governed by the funding programmes designed by the state. This demonstrates a principal-agent problem in transaction cost economics. If a number of organisations underwent this process of alignment with the state, this would lead to a lack of diversity within the



network and uniformity of services is the opposite of the pluralistic and competitive quasi-market that constitutes a vibrant voluntary and statutory network.

The literature reviewed here demonstrates the power that state funding holds over organisations. How then, can this apply to funding received from Europe? Surely it is possible that European influences could further affect the course of funding, and therefore, would emerge as key in answering the research questions.

## **2.10 The European Union and Multi-Level Governance**

This section considers the issues associated with the multi-level dimension to the distribution of ESF funds, through three tiers of government – European Union (EU), the UK and Wales, and further down to an organisation acting as project leader. Primarily, the literature demonstrates how the devolution settlement in Wales, coupled with the UK's membership of the EU, has allowed links between Wales and the EU that bypass the UK government, to be developed and reinforced.

The increase in supra-national governing entities in the last 50 years has occurred due to the need for nation states to communicate with each other, and to facilitate economic exchange and growth (Hurrell, 2005) such as the development of the Free Trade Areas and the growth of global trade and Foreign Direct Investment,. There was also a need for nation states to do this with relative ease within a mandated supra-national structure (Gruber, 2000) as opposed to managing complex interactions with other states on an individual basis. The scope and depth of policy making and the influence of the EU has increased significantly during this period (Hooghe & Marks, 2001). The adoption of EU treaties has implications for the context of ESF, as these treaties affect the power-relations of countries and regions, and their principles and aims become embedded in the requirements attached

to ESF programmes. The Maastricht Treaty (1993) provided the European Council with powers of veto over certain types of legislation, the Treaty of Amsterdam (1999) extended areas of co-decision to the majority of EU policy decision areas, and the Treaty of Lisbon (2009) increased further the powers of the EU Parliament, and reduced the power of states to veto certain policies<sup>9</sup>.

There are two main conflicting models of EU-nation state interaction and operation which can be applied to explain how decisions taken in Europe filter down to national and regional policy making and delivery. Authors such as Hall (1993) argue for a state-centric model which places the state in the main position of power, retaining its sovereignty and actively choosing to devolve limited authority to a supra-national power (the EU) to achieve specific policy goals. Other authors (Marks and Hooghe, 2004; Bache, 1998; Gualini, 2004) argue for an MLG model, in which decision-making abilities are shared by a range of actors at different levels, supra-national, national and regional, and taken across different governing entities. The MLG models do not discount the importance of the state, but propose that policy decisions may be made without its direct authority, and acknowledges the power and influence of other actors in the policy making field that may subtract from the nation state's influence.

Conventionally two types of MLG are distinguished:

1. Akin to federalism, this consists of limited and non-overlapping jurisdictions within a restricted number of territorial levels. The focus is on specific governmental purposes rather than a set of policies or issues;

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<sup>9</sup> The principles of the Lisbon treaty are now clearly visible in the Europe 2020 Strategy

2. Is a more complex and fluid type that consists of a larger number of overlapping and flexible jurisdictions. The focus is much more on specific policy sectors and issues..... Like most governance structures there is a tendency to instability as the policy environment alters, but it is designed to seek optimal decision-making (Hooghe and Marks, 2004).

The state-centric model has at its core a proposition that there is a clear separation between domestic and international politics, rejecting the interconnectedness of political arenas. The MLG models oppose this assertion, and place greater power with the supra and sub-national actors. These conflicting views on the EU-nation state relationships may well differ between nation states and the times at which these models were conceived.

Certain states are often considered very state-centric, the UK during the 1980's and early 1990's could be considered a good example of a very centralised nation state with a euro-sceptic attitude. However, the UK has experienced significant regional development over the last 15 years, moving from a centralised government to a regionalised and devolved model, and this environment now reflects the MLG model in which sub-national actors wield significant power and influence within the EU independently of their nation state representatives and vice versa. However, this development has been restricted to Wales, Scotland Northern Ireland and London [partially].

#### ***2.10.1 Future-proofing policy***

The influence of the EU at the implementation level of policy can be seen most clearly in the EU's cohesion policy, which comprises approximately one-third of the EU's budget and which is spent through regional development programmes such as the European Social Fund. These funding programmes involve regional and local government actors at every

stage of the policy process, including the definition of priorities, the choice of programmes, the allocation of funds and monitoring and adjustment of programmes (Hooghe & Marks, 2001). Hooghe and Marks also acknowledge the process of institutionalisation or embedding of the relationships between regional actors as a result of this regional involvement in the development funds, stating:

*'Partnership is implemented unevenly across the EU, but just about everywhere it institutionalises some form of direct contact between the Commission and subnational governments. Such links break open the mould of the state, so that multi-level governance encompasses actors beneath, as well as above, central states.'* Hooghe & Marks (2001 p25)

It is perhaps a strange idea to think that nation states would shift decision making power and responsibility away from themselves onto the shoulders of supra-national agencies such as the EU, or downwards to devolved governments, however Moravcsik (2000) and Gruber (2000) illustrated why a nation state would choose to decentralise certain aspects of decision-making in order to reinforce central state power through increasing legitimacy.

Some governments wish to protect the policies they have put in place against parties that may hold office after them that may wish to dismantle these programmes, and an effective way of protecting those policies is to negotiate terms and then hand over authority for their implementation to another authority (Moravcsik, 2000). Moravcsik (1994) proposed that the enthusiasm demonstrated by some governmental actors to displace responsibility for certain policies is a key driver of European integration. Once powers are formally handed over to institutions such as the EU, it could be considered to be legally and politically much more difficult to repatriate them.

It appears in some of the literature (Gruber, 2000; Moravcsik, 1991) that states agree to supra-national cooperation only when those individuals in power at the time of decision-making are convinced that the co-operation will advance their underlying political and policy-making goals. This surrender of power over a particular policy area effectively 'future-proofs' the policy. Other governments simply wish to displace responsibility onto other governing entities because they do not want to suffer negative political fallout or make unpopular decisions concerning policies or funding decisions (Alexander, 2000; Townsend, 1994).

### **2.10.2 *Wales in Europe***

In Wales, devolution followed similar processes to those that took place in Scotland and Northern Ireland, and the devolution settlement in Wales allowed the then Labour government to displace responsibility for Welsh affairs in general whilst retaining a share of power over the Welsh environment centrally in Whitehall (Newman, 2001). This fragmentation of power between Wales and the UK arguably opened the door for significantly greater Welsh involvement in the development and implementation of the European Structural Funds, and as proposed by Hooghe and Marks (2001) earlier in this section, began a process of institutionalising direct relationships between Wales and the EC, bypassing the UK government and increasing the power of the Welsh institutions.

Creating and perpetuating direct links to the EC through the receipt and implementation of structural programmes is possibly one of the easiest routes for sub-national actors to engage in European affairs. As a result of the 1988 reform of the structural funds, partnership between the EC and regional authorities was strengthened and further institutionalised, and this was a powerful tool used by the EC to break free of the static and confined relationships it had up to that point experienced with nation states concerning the

delivery of cohesion programmes and engagement with regional actors (Ansell *et al*, 1997; Bache *et al*, 1996; Hooghe & Marks, 2001).

The evolution of cohesion policy in Europe fits the MLG model, and indeed the EC itself has used this language to describe its activities, which alludes to a more equal partnership between the EC, nation states and regional governments in policy development and implementation. While the equality of this partnership concept is questionable, it would be difficult to dispute the EU's influence over the changes in governance in Wales that have brought the Welsh institutions closer to the EU. Cohesion policy varies spatially, and within policy areas further variations occur (Boldrin *et al*, 2001). Cohesion policy is funded at the European level, and it is also at this level that overarching policy aims are attached to the funds. Recently, it has been acknowledged in the 5<sup>th</sup> EESC Cohesion Report that thematic territorial co-operation and social innovation has suffered from the change in European Funding, and this has affected outcomes in the regions. There is, however, significant variation in the process of developing the detailed funding programmes at national or sub-national level.

Hooghe and Marks (2001) suggested that negotiation of cohesion funds can be broken down into three distinct phases of policy making activity shown in Table 2.4.

**Table 2.4      *Policy Making Process***

1.	Bargaining	Member states actively negotiate the amount of funding they can secure from the EC.
2.	Creating an institutional environment	This process explains any pre-programming changes to the structural funds regulations and requires recipient governments to consider how the funds will be used. Regional governments must submit their programme plans.
3.	Developing structural programmes	The structural programming phase which takes place at national or sub-national level depending upon the recipient authority. It is at this point the core institutionalising process in EU-sub-nation relationships occurs. This requires direct negotiation between administrators of the funds and the EC in creating the final programmes

The embedding of partnership principles into the structural fund development framework meant that multilevel governance has been strengthened through upgrading the connections that sub-national actors have to the EU. The 1988 reform of structural funds ensured that, when responsibility for the funds was transferred to the Welsh devolved government, it was able to take a full and active role in engaging with the EC as a direct result of the partnership principles enshrined in the 1988 reforms. All three phases of policy making activity listed in Table 2.4 are conducted with the direct involvement of Welsh Government and National Assembly for Wales officials. Through this repeated involvement, direct relationships between Wales and the EC are likely to have become more routine, and this perhaps marginalises to a certain extent the UK government's influence over the use of ESF funds in Wales. This has not always been to the favour of national governments, and works by both Ansell *et al* (1997) and McAleavey (1993) detail cases in which the sub-national actors have used this new found influence to enlist the ECs help in resisting the will of national actors.

This literature on MLG and devolution has shown how the links between the Welsh Government and the EC have been developed and strengthened through the devolution settlement and the partnership principle for developing the structural fund programmes. As a result of this, the Welsh Government is exposed to EC influence, and this influence arguably impacted upon the way the final ESF programmes were structured. MLG is an overarching concept that frames this thesis, and which impacts upon the more detailed conceptual systems that emerge at the national and local levels. Type II MLG has particular relevance to this thesis due to its overlapping jurisdictions and accommodation of differing policy areas. This concept provides structure to the operation of different layers of governance, and identifies the mid-layer, in this instance the Welsh governing bodies, as subordinate to higher layers, such as the UK and EU governing bodies.

At this point, given the breadth of discussion already conducted in this chapter involving aspects of hierarchy, governance and strategy, it is necessary to examine the theme of power as an overarching concept within this study.

## **2.11**

### **Power's essential instruments**

The concept of power runs through all of the topics covered in this literature review, in particular the relationship between the two types of MLG, and this section provides a brief overview of scholarly thought on the subject that relates to this study. Selected literature on power is further explored and used to provide a theoretical basis for this research in chapter three.

Vital to this study was an awareness of power relationships between organisations and the state, that were operating within an inter-organisational policy and delivery network in Wales. This particular statutory environment was bound by legislation to engage with the voluntary sector (Government of Wales Act 2006 s74(1)), and this relationship between state and public is integral to the legitimacy of the modern constitutional state (Clegg, 1989).

The study of power as a concept stretches back into history, framing it in terms of causes, interests, capacities or abilities. With the exception of the early Greek and Roman philosophers, Machiavelli (1532) and Hobbes (1839) are likely to be the most cited of the very early thinkers on power, breaking from the traditions of their time in approaching power empirically as a concept to be analysed, rather than approaching it from a religious standpoint (Clegg, 1989). These two differed in their assessment of power. Hobbes took a causal approach to power where 'power and cause are the same thing' (Hobbes, 1839) and all is bound into the institution of sovereignty. Machiavelli (1532) took a strategy-based



approach to power within a wide arena. This could also be seen as a primary or historical incarnation of the relational or 'pressure vs. resistance' approaches to power discussed later in this chapter. It could be argued that the majority of modern thought on power could trace at least some of its influence back to these individuals (Clegg, 1989).

Despite the wealth of studies on power, e.g. Clegg (1989), Haugaard (2002), Lukes (2005), Russell & Brittan (2004), Scott (2001), there is only the most basic and general consensus on a definition. Dahl proposed a formal definition in his 1957 paper, setting out an intuitive idea of how actors had power over others within defined parameters. However Dahl's example of the individual and policeman commanding traffic to drive on a particular side of the road illustrates how some definitions of power can be too broad, or indeed, too prescriptive to suit complex social systems. This is because Dahl's power model was direct and overt, and could not accommodate the implied power or the overarching structural power that some organisations or individuals were thought to wield.

Lukes (1974) expanded upon Dahl's thoughts, taking a hegemonic approach to power in which authority is implied and the powerful agent rules without direct force. Instead, the agent rules through controlling the social, political and professional structures to perpetuate their own dominance and prevent upward mobility of others that could alter the status quo. Lukes criticised Dahl's model as too simplistic, and inappropriate to explain environments in which overt power is not used, but where power the shape the environment to one's own advantage is employed. He argued that power is an exercise of control in which one can compel others to desire what one wants them to desire, and so secure their compliance with ones wishes through this almost subconscious control. The implication of Lukes' argument for this study is that the development of the ESF funding distribution structures was fundamentally predisposed to preferences that could not meaningfully be uncovered and examined, and that individuals involved in the process

assumed that the programmes they developed were genuine, original, and uninfluenced pieces of work.

Moving from the concept of overarching hegemonic forms of power, the concept of power as a constant balance between opposing forces of pressure and resistance is common in the literature (Clegg, 1989; Russell & Brittan, 2004; Scott, 2001). The pressure points at which organisations may be excluded or directed to a certain action could potentially occur at the interface between bureaucracy and service delivery, or the incompatibility of values between organisations. Norms and values of the public sector are unlikely to be the same as those within the voluntary sector, and in a system where one is a significant funder of the other, a certain level of tension between ideologies will likely exist. The state is likely to attach conditions on delivery and organisational behaviour to any funding package, and voluntary organisations may then push back to a certain extent where the funding conditions constrain their ability to do the job as they wish.

Clegg (1989) asserted that any generally applicable theory of power would be inextricably linked with a theory of organisation. This would encompass internally focused organisational strategies of obedience and influence, where power would be used to obtain obedience and punishment would act as a deterrent to disobedience. It would also encompass external considerations of organisations existing within a larger field. Within this theory, Clegg himself used the term 'agency' as a distinct concept identifying action and actor, encompassing individual or collective, and argues that effective agency cannot be achieved without good organisation. This has echoes of Ball (1978) and to a certain extent, of Hobbes work (1839), in terms of separating organisation from agency, where the agent has sufficient influence over another to cause them to act, and could be acting as, on behalf of, or independently of, an organisation. Meyer (1972) noted that authority is the sense of legitimisation of a particular actor to issue commands or obligations that are binding onto

other actors in a situation. Given the network environment part of this study is situated in, and the multiple relationships between individuals and organisations, the differences in authority held between the individual and the organisation is an important aspect to consider. In some instances, it may be the individual that possesses sufficient power to make things happen, in others, the individual may be incidental, and in this instance it is the organisational brand that holds sway. The question of agency would therefore require consideration alongside the possession of power in organisations.

The governing bureaucracy's role in the subject of this study required a consideration of the power features of the organisational entities involved. State bodies are often agreed to have de facto political power, which is defined as power that is not allocated through democratic means, but is possessed by groups that have an accumulation of wealth, military forces or by those that possess a unique ability to organise collective action (Acemoglu & Robinson, 2008). This would logically include those individuals in positions of power within state bureaucracies. It has been argued that whilst democratically held political power can be fluid and can change hands dependent upon election outcomes, as long as those with de facto political power remain the same, there will be very little structural change (Acemoglu & Robinson, 2008). Acemoglu and Robinson (2008) even go as far as to argue that elite influence over economic and policy making institutions is reinforced by the very democratic political systems that are structured to widen access. Hurrell (2005) suggested something similar, in that such hegemonic power allows institutions to persist, and allows certain actors to gain power over others in order to retain their co-operation and the legitimacy they afford to the supra-national forum. Hurrell (2005) also suggested that much current research on power and practice in the supra-national institutions is fairly Hobbesian, placing emphasis on the importance of power whilst assuming a degree of rationality and co-operation. This has clear parallels with the

earlier discussion on bureaucracy in this chapter in the use of authority to perpetuate and consolidate power through norms and values.

This section has highlighted the historic thought on power and its relevance to the bureaucracies and organisations within this study. The introduction of the individual element into this discussion prompts a need to review the literature on power held by individual actors, both in their capacity as representatives of organisations, but also in their personal activities. It is this discussion to which we now turn.

## **2.12**

### **Power and the Elite**

The practice of political and policy-making organisations influencing the wider network has in recent years, solidified into the notion of governance (Provan & Kenis, 2007). The difference between government and governance lies in the lesser formality and rigidity of the latter term, with government confined to structures and process, and governance conducted beyond the state's traditional boundaries and in partnership with external actors. Barnett & Duvall (2005) claimed that power and governance are inextricably linked, primarily because governance requires the involvement of rules, structures and institutions that frame social life, and that the ability to structure social behaviour is therefore a demonstration of power. This has echoes of Fukuyama (1999), who argued that hierarchy is inevitably layered over any horizontal organisation or network environment in order to focus the norms and values of those in the network. At the top of hierarchies, an elite group can be seen to be operating. The literature (Clegg, 1989; Etzioni-Halevy, 2003; Perrucci & Potter, 1989) shows this elite as highly influential in decision-making, both in bureaucracy and within the network.

The concept of an elite that exists and exercises power is covered in a wide range of literature, from very specific 'power elite' theory by Wright-Mills (1956), to more vague perceptions such as Hunter (1953) described later in this section. This elite could arguably be considered to be in the same position as the sovereign already discussed in the previous section, however much of the literature appears to consider the elite as rather more organised and purposeful than power associated with state or sovereignty. The Italian elite advocate Mosca (1939) believed strongly that planning and organisation was necessary to achieve social order, and that it was the role of the elite to carry out this function. These elite groups form from a wider political community (Clegg, 1989) and take on roles of organising and implementing, whether in positions of state or sovereignty, or privately in business or non-profit. Wright-Mills (1956) noted that this power elite are composed of men whose positions enable them to transcend the ordinary environments of ordinary men and women, and that their positions allow them to make far-reaching decisions.

Hunter's (1953) work on the community power elite is of particular interest to this research, as this was a well-known study raising valid questions not significantly different to this study, but perhaps in a rather primary fashion. Hunter's study relied on the reputations of individuals and the perceptions of respondents to identify individuals that wield power within a community. The 'reputational' approach to power taken by Hunter has significant flaws already flagged in the literature (Clegg, 1989; Dahl, 1961), and the assumptions made by his study prompt further consideration. Hunter's study assumed that there was indeed a visible 'elite', and that there was a community in which it operated, however it was unclear whether the community, and those who operated within the community were one and the same, and there was no guarantee that all individuals would be known to each other sufficiently to identify them and qualify their influence. The issue of individual perception was also an inescapable flaw, as perception is fluid and may change dependent upon the individual occupying the position being interviewed. A particular problematic assumption

was that individuals were the agents of power. This assumption disregarded factors such as the status of the employer, position within organisation or position within the community. How, then, can consideration of power at the individual or positional level be reconciled with power at the institutional level?

Grant's (2004) discussion of Insiders could be linked with elite theory, and indeed, this model has been considered in terms of its potential application to this study. Grant's theory recognised the multiple group membership that was a feature of Jordan's (1996) group theory, and how elite members are frequently positioned as members of interlocking groups or boards that wield power and that would not be open to 'normal' individuals or employees. Perrucci & Lewis (1989) described these individuals who hold multiple executive positions as inter-organisational leaders, rather than as elite individuals.

In their paper on inter-organisational relations, Perrucci & Lewis (1989) discussed the possibility of inter-organisational ties at executive or board level being purposefully used to mobilize resources, and further that these ties are solidified as each organisation tries to control their environment through these ties. The research they carried out shows that these individuals who hold multiple executive positions are considered more influential within the field than those who hold none. Within a voluntary sector network where multiple organisations engage with each other and with the state in various policy activities, interlocking would potentially increase levels of trust and as such, increase the possibility of collaborative activities.

It is possible to suggest that elite theory strictly enforced to identify only the truly global agents of power lacks realistic application in lesser, but still influential, roles, at local or regional levels. The concept of democratic elite theory, in which local and regional actors are considered to constitute their own elite group, has perhaps in some aspects, more

relevant comment upon the devolved governed environment. Etzioni-Halevy (2003) argued that democratic elite theory would encompass those individuals who are part of smaller elites on smaller scales, including government officials and mid-level civil servants that command budgets, and would enable this model to explain how the network of relevant actors is organised. This echoes the classic insider-outsider problem that emerges throughout this thesis.

Whilst groups that could be considered elite for the purposes of this study would not fit Wright-Mills's power elite description, they would certainly be considered elite within their domain, and would be carrying out the functions of the higher powers. The Power elite are not solitary rulers, and the major institutional hierarchies are the tools or means of the power elite (Wright-Mills, 1956). Indeed, Wright-Mills's model could be suggested to have a very early hint of what scholars now consider to be governance, in allowing for the hierarchies of state to further shape lesser institutions to contribute more effectively to state goals. For the purposes of this study, any discussion of an elite refers more generally to influential individuals within the field of study, and so would technically fall into the 'democratic elite' description rather than the more widely accepted 'power elite' description reserved for more universally powerful individuals. The majority of those in civil service positions are however also viewed as agents of the bureaucracy they serve before any individual elite status.

Clegg (1989), in looking closely at the elite models such as Hunter's (1953) and pluralist models such as Dahl's (1961), compared to these models what he termed the class-dialectical model. This class dialectical model assumed that there is a certain level of intentionality associated with the dominant class, in that the dominant class would consciously act to preserve the institutions that reinforced this dominance. Power in this sense is a subjective commodity and an external perception of an individual's or

organisation's power may be very different to the perception of the agent itself. This class conscious model proposes that the state serves the interests of the dominant class, because it is the very dominant class that is able to manipulate the agents of the state to their advantage. This draws parallels with Clegg (1989) and with Barnett & Duvall's (2005) description of institutional power, and provides for the assertions of Acemoglu & Robinson (2008) who also believed the structures that support de facto power persist and reinforce the positions of those with that de facto power. In applying this concept to the Welsh institutional environment, the bureaucracy would demonstrate some self-reinforcing behaviours that excluded the possibility of significant change within the governing bodies themselves. Looking then at the Welsh inter-organisational network, conscious action and organisation by governing bodies or voluntary sector groups would certainly have been expected where there was competition for resources, as suggested in network studies by Klijn (2005 & 2008) or more historically in studies by Oliver (1990), Galaskiewicz (1985) and Thorelli (1986).

The issue of power is embedded into the resource dependency perspectives briefly discussed at the start of this chapter. The idea of power and money as resources that can be used to obtain more resources is not new, and power as a 'circulatory media' was discussed by Parsons in 1968. Habermas (1987) progressed from Parsons, and placed greater emphasis on power as a resource than on money, arguing that currency could only provide limited access to areas such as the market, whereas the holding of power would put the resources of organisation at the agent's disposal.

Benson (1975) afforded legitimacy and financial resources equal status in his discussion of the inter-organisational network as a political economy, and he emphasised the political nature of the field, as well as the strategies employed in the tensions between pressure and resistance between organisations. Clegg (1989) asserted that in an imperfect market,



means and resources would be distributed unevenly, and in such a marketplace, a favourable outcome would be secured at the expense of another agency. This favourable outcome would be secured as a result of utilising the means and resources already available, thus perpetuating a cycle of haves and have-nots. Clegg (1989, p149) proclaimed 'power is about politics, not just in the formal sense but more broadly, about the politics of everyday life', and this politicised nature of everyday life permeates into the internal and external organisation of individuals and agents within the field and in terms of hierarchy. Any study of a market-place or network in which games are played requires a solid grounding in considerations of power relationships and their implications for resource distribution, and Clegg's observation that power is linked to everyday political strategizing demonstrates that power in this study emerges both in institutional settings and in game-playing network settings.

The models and thinking on power discussed in this section provided guidance and discussion for this research, in particular with reference to the more Machiavellian strategy based approaches that explained behaviours within the network. The consideration of elite theory also served to highlight existing approaches to how hierarchical and often invisible networks exert influence. Power is something of a slippery concept, and has been framed a number of ways in the literature. For the purposes of this study, the discussions of strategy, pressure and manipulation of structures provided a basis for understanding how both governing organisations and network organisations could approach ESF funding processes.

## **2.13**

### **Summary**

The volume of literature that could be considered relevant to this particular study is enormous, however relevant discussions above should prove sufficient to describe the history and academic context within which this study takes place, to demonstrate relevant

contemporary thought on the themes of power, network and institutional contexts, and to highlight the issues and considerations necessary to unpick the process of programme development and funding distribution by governing bodies. In particular, this chapter has highlighted the main ideas around institutions, MLG and networks that explain specific parts of the process studied. Network activity as a bottom-up process in engaging with funding programmes is clearly a key consideration in organisational ability to engage, and the literature explored in this chapter shaped the approach taken to constructing and answering the third and fourth key research questions. The development of themes of network and rationality will uncover how decision-making processes determine organisational success and dominance in funding distribution.

Reflecting on the top-down process, institutionalised systems were clearly shown to influence bureaucracy and the policy products it produced. The literature reviewed on these institutional themes demonstrated that institutions and power could channel funding as a result of bureaucratic and rational decision-making. This literature influenced the phrasing of the first and second research questions in understanding who this would affect organisations, and provided a basis for the creation of the theoretical framework. Setting the context of this study within an MLG environment strengthens the importance of institutional influences on the process, and the literature reviewed suggests that the changes in the 2007-2013 programmes would prompt a certain amount of instability, but that this could potentially be beneficial for the network and partnership in terms of inclusive programme development.

This chapter has demonstrated that the network environment is vulnerable to the decisions taken within governing bodies with regard to the development and implementation of funding programmes. The literature reveals that institutions shape and solidify interactions and relationships, and that power is a key element in achieving a favourable structural

position. Uncertainty in resource availability prompts conscious action within organisations to compete with their peers, and certain organisations therefore gain success in securing funds through use of power and relationships. These key concepts will be explored in further detail in the following chapter.

## **CHAPTER THREE**

### **Institutions, Power and Networks: A Theoretical Framework**

#### **3.1**

#### **Introduction**

Building on the broad review of literature carried out in the previous chapter, this chapter sets out the theoretical structure for the study. It seeks to explain how a range of factors such as power, bureaucracy and network organisation combine to influence the route that funds are channelled through, from government or European programmes through to voluntary sector delivery organisations. This theoretical framework will structure the case study to answer the research question 'How do institutional factors and network context affect funding distribution and the composition of partnerships? How can this be demonstrated using ESF in Wales as a Case Study?'

As set out in Chapter One, the research question was broken down further to address four sub-questions that would guide and focus the study on relevant areas:

1. How did institutions and power shape the structures of the Welsh ESF programmes?
2. What kind of relationships exist between governing entities and the network and how do they operate?
3. How do decision-making processes in networks influence how organisations are selected for funding?
4. How does organisational dominance in the network shape the distribution of funding?

Through using a dual institutional and network lens, this chapter will demonstrate how these key questions were constructed on the basis of established theory relating to themes of power, institutions, and the network context. It will also question the relative importance of the institutional and network contexts in shaping the process studied, and consider with reference to the research questions, which systems have the greatest impact.

Firstly, the chapter will address the need for an approach that encompasses both institutional and contextual network factors in uncovering how the processes governing the distribution of funds occur, from development through to implementation, and how these processes shape project partnerships and determine funding recipients.

Secondly, the chapter will address the institutional factors having influence over the processes of partnership composition and resource distribution. This section will return to the key institutional literature explored in chapter 2, and discuss the concepts of power, bureaucracy and governance, which will be used to explain the institutional processes associated with developing funding programmes, and developing and leading projects.

The theme of power is considered to be a common thread running through both institutional and network environments, and will be discussed with regard to relational power in the institutional environment and with reference to the power wielded by organisations through their level of structural embeddedness. This section will also consider the themes of trusteeship and the role of government in instigating programmes to achieve policy aims.

Finally, this chapter will consider the network context within which occur rationality, game and negotiation activities that shape partnership composition and determine resource

distribution. This section will consider the network environment itself, and how within this environment competition for resources, bounded rationality, and the need for collaboration and mediation may influence the success of organisations in seeking funding. This section considers the theme of governance, and introduces the concept of strategic bridging as a concept that is considered to go beyond traditional notions of governance, as a possible alternative explanation for what occurs in this study.

### **3.2 The need for a dual approach – institutional and network considerations**

The use of statutory and other funding such as the European Structural Funds by government, in order to target key policy areas, has a long history in the UK (Kendall *et al*, 2006; Kennett, 2004; O'Halloran *et al*, 2008; Nugent, 2006; Rekart, 1994). Voluntary sector organisations have been shown to be key service providers for policy aims (Geyer *et al*, 2005; Kendall, 2003; Kendall *et al*, 2006), however there are observations in the literature that certain organisations are more successful than others in gaining resources and becoming members of partnerships that include benefits such as funding (Anheier & Seibel, 1990; Dollery & Wallis, 2003; Kendall, 2003; Palmer & Randall, 2001). Is it solely individual organisational factors that affect this success, or are some funding programmes fundamentally inaccessible to certain organisations? Chapter 2 demonstrated the insider-outsider problem, and in the context of type II MLG and the uncertainty that in part characterises it, it was likely that some organisations would simply not find the programmes accessible.

The literature has covered a wide range of themes that go a certain distance in explaining why certain organisations appear to be more successful than others in joining partnership projects or securing funds, however, the majority of this literature is situated within one dimension, focusing only upon one part of the process. Examples are the use of network

theory to explore the process of partnership building within the network (Teisman & Klijn, 2002), the use of institutional theory to map how policy is developed and implemented through procurement of services (Oliver, 1997), or the use of resource dependency theory in viewing the relative dominance or legitimacy of an organisation as the key to securing funding (Benson, 1975). In fact, the process of funding distribution is multi-dimensional. It begins within governing organisations at the point of negotiating and developing the budgets for programmes to be created, and the funds begin to be channelled by these bodies as soon as the programmes are developed and given policy focus, assigned goals and plans to measure success, and application systems are structured to receive and assess proposals to meet the policy aims stated. O'Toole *et al* (1997, p143) note that 'it is an unavoidable fact of political life that those who are responsible for the front line delivery of public policy . . . are in different organisations from those who set broad policy directives' and this chasm between policy development and policy delivery is key to indicating a need for two sides of funding programmes to be investigated, both from the side of the policy maker, and the side of the policy deliverer.

The study of networks, which is also arguably set within an institutional environment (De Bruijn & ten Heuvelhof, 1997), will cast further light on this process of integrated service delivery through trans-organisational structures (Agranoff, 1990) from an over-arching institutional level, down to the regional and local network level. O'Toole *et al* (1997) identified the need to consider the institutional programme development dimension to policy delivery when discussing the management of implementation processes, noting that in order to understand what happens locally, the researcher must examine national or international level factors 'in so far as they appear to be relevant' (O'Toole *et al*, 1997 p144). It is not enough therefore, when querying why certain organisations are in receipt of funding over others, to simply accept that a theory governing only half of the process will produce a legitimate and valid conclusion.

Programme structure dictates which kinds of organisations are eligible to gain funding through explicit criteria. These criteria generally include features of projects such as their geographical remit; their charitable, company or VAT registered status; or their capacity to serve a certain volume of beneficiaries. Still further criteria can dictate whether organisations should work alone or as part of a partnership. These features of programme instruments developed and implemented through Welsh and European governing bodies will have a significant impact upon organisational eligibility for ESF funding. The tension here between structure and agency therefore reduces the ability of organisations to engage with the programmes. This is before the programmes are even released into the public domain and organisations are able to consider their plans to acquire funding. It is only at the point of a programme opening that the theories concerning network or resource dependency fully come into play. Although there is scope for overlap when considering contacts in the case of very embedded or dominant organisations that have good relationships with funding distributors, this is not sufficient to cover the full story.

There is, therefore, a need to look both at the institutional processes that structure funding programmes, the underlying relationships between organisations, as well as the network aspects that allow organisations to compete for funds in order to understand the end-to-end process. There is also a need to consider the relative importance of these factors in shaping funding distribution. This study will knit together a number of theories to provide an overview of the development and implementation process, and ask where the greatest pressures upon the process occur. This is a complex undertaking, and particularly so within the parameters of this study, however the research questions and the following theoretical framework provide a clear path to producing a valid understanding of the systems at work.

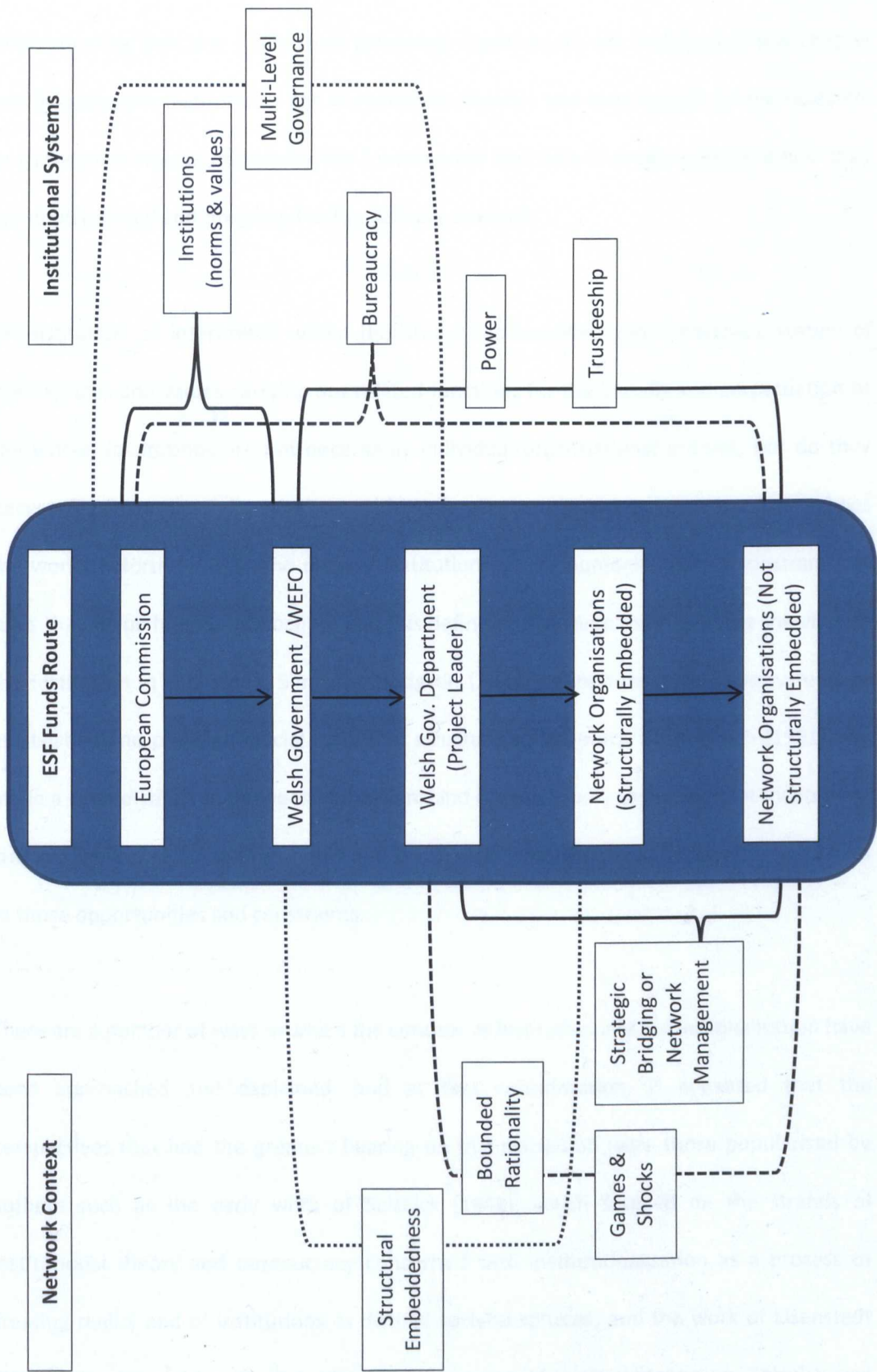
In order to make sense of the overlapping themes raised in the preceding chapter, it was necessary to divide the overarching themes between the 'top-down' institutional ideas, and



the 'bottom-up' network themes. In constructing the theoretical approach, these were overlaid onto the process of funding distribution, and this provided a base from which to proceed. Figure 3.1 provides an illustrative example of how this study uses overlapping theories to provide a comprehensive analysis of how the funds trickle down to the voluntary and statutory sector network from the point of award by the EC. The central column of the diagram displays the route of ESF funds from the EC to delivery organisations. The right side of the diagram displays the institutional themes that were deemed to influence the final destination of ESF funds, and the points at which these occur and overlap. These factors are considered with a view to answering the first two key research questions on governing bodies, power and institutionalised relationships. On the left of the diagram, a number of network themes are shown to occur during the funding route, and highlight how organisational ability to engage might be determined. These were included to answer the third and fourth key research questions on decision-making and organisational dominance in the network.

Figure 3.1 highlights inevitable and inseparable areas of thematic overlap in this study, and demonstrates that multiple theoretical ideas are relevant at any stage in the process. This chapter further explores the relevant theoretical literature on institutional and network environments, and fits the relevant themes together to provide a clear framework for the study.

Figure 3.1 *Network & Institutional Themes in the Funding Process*



Having established that consideration of the institutional dimension is vital to understanding how any funds from governing organisations are distributed, this chapter will first consider institutional and bureaucratic theories and their impact on the research, as this is invaluable in uncovering the fundamental structure of programmes and how they are implemented and presented to the delivery network.

An institution, as interpreted within this study, is a bounded and hierarchical system of norms, rules and values carrying out related functions for the benefit and perpetuation of the whole. Institutions are not necessarily individual organisational entities, nor do they necessarily encompass all individuals within a legally constituted organisation. This echoes the work of North (1981), who defined institutions as the humanly devised constraints or rules that shape human interaction, and this definition has been used to frame the view of the institution in this study. Similarly, Hodgson (2006) defined institutions as systems of established and prevalent social rules that structure social interactions. North (1981) also made a clear distinction between institutions and organisations, proposing that institutions create a web of rules, opportunities and constraints, whereas organisations are responses to those opportunities and constraints.

There are a number of ways in which the concept of institution and institutionalisation have been approached and explained, and at first consideration, it appeared that the perspectives that had the greatest bearing on this discussion were those popularised by authors such as the early work of Selznick (1949), which focused on the strands of institutional theory and bureaucracy concerned with institutionalisation as a process of creating reality and of institutions as distinct societal spheres, and the work of Eisenstadt (1959). However, although they identified a process of institutionalisation, Selznick and Eisenstadt failed to fully account for why or how this process takes place beyond a need to

ensure the process's own survival. It became clear that theory concerned with institutionalisation as a process of creating value, as discussed by Berger & Luckmann (1966), Zucker (1983) and Scott (1987), was more relevant to this study in terms of understanding how values dictate the actions of civil servants involved in programme development.

Peter Berger and Thomas Luckmann (1966) argued that social order is based on a human construction of shared reality created through social interaction, and that social order only exists as a product of habitualized human activity. In simple terms, social order emerges as an individual takes action, interprets the action of others, and shares their interpretations with others still. These interpretations are catalogued to enable the individual to respond to further actions. The formalised repetition of actions and responses to similar stimuli can therefore be described as institutionalisation. The repetition of actions and responses within institutions can be considered to be a significant feature of such systems.

Meyer & Rowan (1977) argued that the institutionalised social reality is valid independently of an individual's own views. This shared social reality is taken for granted as defining 'how we do things around here' and hence perpetuates the embedded actions and responses. This is an echo of Hughes' (1939, pp283) assertion that it is unavoidable for human beings to get 'stuck in their ways' and that perpetuation of these ways often outlives the understanding of their meaning. Often, value is assigned to these processes, which exceeds the cost-benefit balance (Selznick, 1996). Meyer & Rowan (1977) also raised the point that organisations conform to a set of institutionalised beliefs not only because they constitute the shared reality but also because there is an advantage to doing so, such as increased funding or legitimacy, an idea later echoed by Scott (1987). This links to the concept of organisational isomorphism discussed in DiMaggio & Powell's research (1983), which argues that organisations will emulate practices because they are perceived as a legitimate

method of working rather than because they are genuinely efficient or effective, and this supports the idea that organisations behave in such a way as to value societal rules and expectations above structuring actions to fully maximise efficiency, production or profit.

A key feature of an institutionalised system is resistance to change (Hinich & Munger, 1993). North (1981) proposed that the evolution of institutions alongside organisational arrangements would 'lock-in' actors benefitting from the institutionalised system. This 'lock-in' manifests as a strong resistance to change by those actors within the organisation, and emerges from the incentive structure provided by the institution, such as funding or legitimacy. How then, does change occur?

Zucker (1983) carried out several pieces of research into 'conformity' aspects of institutional theory, and showed that self-interest and perceived legitimacy were the key factors in prompting any kind of change in large bureaucracies such as municipal governments. The institutions, therefore, persisted. The preservation of power and legitimacy through organisational change in order to reinforce the institutional system's dominance is an example of organisational agents of change at work. The changes occur not at the institutional level, but at the organisational level, where arrangements, such as administration, change to preserve the institutions. The hierarchy and agents in power, remain. This is very relevant to this thesis, as changes in the 2007-2013 programme requirements set by the EC challenged the established order of funding distribution.

Organisations built around, or in furtherance of, institutions, require legitimacy in order to function effectively. Logically, this means that an organisation would undertake activities independently to increase or sustain its own legitimacy, and would also undertake activities as a result of coercive or authoritative actions by more dominant bodies in order to further increase or sustain its legitimacy. Scott (1987) discussed inducement strategies such as this,

and this description clearly shows the dominant agent imposing its own structural definition on the local organisation:

*'Typically, the funding agent specifies conditions for remaining eligible for continuation of funding or reimbursement for work performed. Usually the recipient organisation must provide detailed evidence concerning continuing structural or procedural conformity to requirements – accounts of who performed the work; how the work was performed; on whom the work was performed – in the form of periodic reports.'* (1987, p503)

Scott (1987) goes on to discuss the implications of this inducement strategy, noting that these strategies contribute to increased organisational isomorphism, and points to research by DiMaggio & Powell (1983) and Meyer *et al* (1987) demonstrating the extent to which this takes place. The research Scott cites exhibits structural change as a result of inducement at the intermediary and administrative levels.

Meadows (1967) argued that the perpetuation of norms and deference to hierarchy are key drivers of organisational production. These two drivers come into conflict with each other in situations where higher authority organisations attach criteria to the distribution of funds by lesser organisations. Institutionalised activities in this case must be discarded by the lesser organisation in deference to their position within the institution of governance. Studies by Meyer *et al* (1987) and Scott (1987) have shown that inducement by higher authority has produced change in institutions, and it is therefore likely that deference to authority would override the commitment to the perpetuation of norms. Schubert & von Wangenheim (2006) argue that individuals and organisations genuinely desire to bring their behaviour in line with the expectations of higher authority, and it has been shown that in cases where an external organisation is perceived to hold higher authority, there is an

acceptance that this organisation is entitled to deference (Beetham, 1991; Tyler, 1990). Given this evidence for organisational deference to senior organisations, within this case study it was expected that in any conflict within the institutional environment between organisational perpetuation of accepted norms and deference to a higher authority attempting to alter those norms, deference to authority will triumph. Such perpetuation of position within the institutional structure would surely shape the development of funding programmes in instances where conflict and the option of deference could occur.

### **3.3.1 A bureaucratic basis**

Bureaucracy is often inextricably intertwined with institutional environments, especially in the study of public organisations, and this case study is no exception. Bureaucracy is an abstract form of organisation (Meier & O'Toole, 1996), and is designed to deliver its master's goals efficiently. Indeed Bauman referred to bureaucracy being dispersed and perpetuated by governing entities as a 'civilising process' (Bauman, 1989 p28), although this was within a broadly negative assessment of Weberian bureaucracy. From a more complimentary standpoint, Parsons (1968) stated that:

*'Bureaucracy is by far the most efficient known method of organisation of large numbers of persons for the performance of complicated tasks of administration, and its spread is to a considerable extent accounted for by this sheer superior efficiency.'* (1968, p507)

In looking closely at the organisational processes involved in this case study, bureaucratic theory will frame many of these factors. Bureaucratic theory considers the relations between organisational characteristics and administrative mentality, behaviour, performance, and change. Key assumptions are that rationality, hierarchy and control are

attributes of organisational structure and that organisational form can be deliberately developed (Olsen, 2005). This theory encompasses issues of power and of rigidity, and explains how logic within bureaucratic environments may differ significantly from externally conceived logic. The importance of separating individual or private values from those of a bureaucracy are stressed by du Gay (2000), who argues that the very frustrations caused to external individuals or organisations by bureaucratic requirements are the details that contribute to the operation of an effective bureaucratic organisation. This echoes the original arguments of Weber (1989), which stress the inability of an individual to apply a universal logic in all the areas of its life, as each area of life will have different and conflicting value systems. Parsons (1968) later noted that bureaucracy can be dependent upon particular social conditions for its success.

The bureaucratic values embedded within public organisations drive the perpetuation of the activities and processes discussed earlier in this section, and in turn are likely to be imprinted into any structured or unstructured contact between the organisation itself and the external environment. The application and distribution structures created by the bureaucratic programme development agent will therefore be likely to reflect its own organisational culture and values (Alvesson, 2002; Barney, 1986; DiMaggio & Powell, 1983), and as a result may exhibit potentially frustrating and detailed requirements in the views of external applicants. These in turn may cause difficulty to voluntary organisations with completely different norms and values that may not possess the knowledge or understanding of bureaucracy to successfully meet these requirements.

In terms of the effect that the overarching governing entities have on this research, it is clear that theory on institutions and bureaucracy will have a role to play in explaining issues at the micro level that cannot be easily explained by looking only within the network. Institutional and bureaucratic theory can help to explain the process of value creation and



perpetuation with the structure of the 2007-2013 ESF programmes in Wales, how values influenced the creation and perpetuation of those structures, and how in turn those structures governed the selection of project partners and dictated the recipients of the funding.

### **3.4**

#### **The Power to Shape the Environment**

The concept of power forms an integral component of the institutional discussion, as it does similarly later in this chapter in the consideration of the network context. Institutions provide the conditions for organisations such as state organisations to form and operate legitimately. The possession of power by an organisation can provide it with a certain amount of influence both in creating the structural environment in which other organisations operate, and in performing successfully within it. This structural environment can constrain or shape basic institutions on which external organisational activities are based. This research demonstrates that key institutions, as well as certain organisations within the network, and at times, the network itself, holds and utilises power to influence the structures governing funding that is distributed by governing bodies, and through this influence determines how partnerships come to be configured.

Power in the bureaucratic and institutional domain is embedded in organisational structure and organisational rules. It is considered to be a relational concept by Dahl (1957) who stressed the need for a connection between entities when one holds power over the other. Indeed, Dahl's definition of power states that:

*"A has power over B to the extent that he can get B to do something that B would not otherwise do." Dahl (1957, pp203)*

This definition of power was echoed by Emerson (1962), who asserts that power is not an attribute of any given actor, but is a property of the social relation one actor has to another. Dahl complements his definition with consideration of the scope of power an individual would have, such as the base or domain of individual power, the means used to exert power, the extent of the power, and the range or scope of the individual's power. These additional elements essentially provide detail, however the basic assertion remains that power will influence any unbalanced relationship. Adding to this distributive view of power, Parsons (1960) noted that power can be a collective concept, increased by numbers. However, the larger the numbers, the greater the need for a return to distributive power in the administration of the collective (Mann, 1986). Criticism of Dahl by Lukes (1974) suggests that Dahl was too influenced by bias in the political systems being investigated, and Bachrach and Baratz (1962) stressed that Dahl's model lacked an appreciation of situations in which decisions were not being taken by opposing sides, but by parties attempting to collaborate or complement each other's output. Lukes refined Dahl's definition of power to read:

*"A exercises power over B when A affects B in a manner contrary to B's interests" Lukes (1974, pp34)*

Lukes' work on power suggests that A may exert power over B unconsciously, and that A's means of control, manipulation or authority over B does not occur in a conflict situation, rather in a consensual or collaborative relationship. Lukes cites the subtlety of power in A's ability to shape the preferences and plans of B in accepting their place in the established order of things, viewing it as natural or unchangeable, and reducing their ability to conceive of a different system as a form of true power driven by the 'real interests' of actors. This concept of power was similarly noted by Bachrach and Baratz (1962) who emphasised a dimension of power that allows A to alter the structural conditions in which decisions or

choices occur, limiting those decisions that can be taken. This has come to be known as 'agenda-setting' power (Berenskoetter, 2007) and indicates the power governing organisations have over the network is a form of subtle unquestioned power, where the network allows itself to be moulded by the processes developed by the governing organisations because that is simply the order of things.

The regulations associated with government funding are to a certain extent contrary to the interests of service delivery agents due to the necessity to carry out work additional to that which would achieve the policy aims, such as monitoring or evaluative activities or the observance of certain best practice models. Similarly, this model emerges within the network context as an insider-outsider problem, where certain organisations will be dominant service delivery agents and are able to influence the actions of smaller organisations in situations where partnership or collaboration is necessary, where the dominant organisations are able to develop and negotiate the structures, and the lesser organisations must attempt to fit and insert themselves into gaps that are left for them regardless of their compatibility. It is therefore likely that in this study, dominant organisations will dictate the programme and project structures, and lesser organisations will attempt to conform, even where this is contrary to their interests

In terms of power operating through and within bureaucracies, it was possible that there would be signs of commitment to rational process and ceremony at the expense of considering compatibility with external network environments. While individuals within the key organisations may in fact have possessed the power to change or influence programmes, they may have been unlikely to do so given the certain bureaucratic environment within which they operate. Bauman referred to this as a 'moral sleeping pill' (Bauman, 1989, p29) and asserted that bureaucracy substitutes moral responsibility with

technical responsibility, creating an environment in which bureaucrats are able to free themselves of ethical considerations outside of those provided to them.

This incompatibility of personal morality and technical responsibility perpetuated by individuals within the organisation causes friction in achieving any policy goals required, as organisations in the network find themselves unable to effectively engage with the process of gaining funds to deliver those outcomes. The power held by the governing organisations is therefore, not absolute, and not sufficient to completely circumvent the restrictions of bureaucracy in order to achieve overarching policy goals. This demonstrates a dependence on those organisations in the network over which they exercise so much power. As noted by Emerson (1962), power issues often occur in situations of mutual dependence, and this can be exhibited at the interface between governing organisations and service delivery organisations, where the governing organisations depend upon the network to deliver services, and the network depends upon the governing organisations for resource and legitimacy.

Whilst the definitions of power have been cited in similar terms within the literature (Dahl, 1957; Emerson, 1962; Lukes, 1974), even where those terms are interpreted differently, methods of categorising or typifying that power have been more diverse. This case study straddles the institutional and network environments, and as such, two different types of power were identified in the literature to be very relevant to understanding how programme development and implementation could be achieved. These two types of power are authoritative and/or mandated, and dispersed and/or relational, and are described in Table 3.2.

**Table 3.2      Features of Power**

	Authoritative or Mandated Power	Dispersed/Relational Power in the Network
Characteristics	<ul style="list-style-type: none"><li>• Vertical/hierarchical relationships</li><li>• Frequently associated with the power held by bureaucracies such as central government bodies and departments</li><li>• Held in situations where one organisation holds resources desired by others, and this provides those organisations with the power to dictate activities</li><li>• Commonly reinforced by statute, providing the organisation with legal obligations to administer services and therefore endowing it with ultimate legitimacy in decision-making and funding distribution within reason</li><li>• Enables organisations to impose their structures and policy goals onto other organisations</li></ul>	<ul style="list-style-type: none"><li>• Horizontal relationships</li><li>• Frequently associated with power held by different network organisations</li><li>• Held in situations where one organisation holds resources desired by others, but not of a sufficient level to dictate activities</li><li>• Commonly reinforced by a combination of variables such as expertise, organisational relationships, structural embeddedness, profile, strength of brand</li><li>• Enables organisations to cause disruption or dysfunction in the network</li></ul>
Issues	<ul style="list-style-type: none"><li>• Less influence over organisations that are not dependent upon resources from this source</li></ul>	<ul style="list-style-type: none"><li>• Potential cause for stagnation in a network where no one organisation holds sufficient power to force action</li></ul>

Compiled from Barman (2002), Benson (1975), Huxham & Beech (2008), Kickert & Koppenjan (1997)

Much of the early literature on power in a network environment has focused upon a resource dependency model (Aldrich, 1979; Cook 1977; Pfeffer & Salancik, 1978; Van de Ven & Walker, 1984), and this literature is useful in drawing out patterns of behaviour or strategy as individual organisational response to external conditions. This literature does not, however, account for the externally imposed conditions on the network and how it affects the network as a whole, rather it focuses on individual organisations.

The literature on pluralism (Gray, 1989; Dahlberg, 2005; McFarland, 2007) proposes the possibility of all interested organisations acting out their own strategies and power being

distributed, which bears some similarity to the resource dependency literature in its acceptance of multiple actors competing for resources. However, organisations within a network will be influenced by the authoritative and bureaucratic power of governing bodies, and as such, it is likely that factors such as imperfect access and existing relationships may uncover a more elitist model operating. Gray indicates that elitism occurs where 'one party or a select group controls access to the decision-making forum . . . decisions in this model are, at best, consultative'(Gray, 1989 pp114) and this is based upon Wright-Mills' 'power elite' theory (1956). Rather than viewing the network within this case study as a web of organisations operating in a purely pluralistic manner, this research is mindful of the inequality of access and opportunity that may exist in the network that provide the conditions for elitism (Gray, 1989; McFarland, 2007) where the will of the few in policy making circles can be authoritatively imposed on the wider network (Klein, 1974; McFarland, 2007).

This section on power has shown that the possession of power by organisations can shape organisational approaches to achieving goals, and in this pursuit, affect the fortunes of others. Within this thesis, power will emerge at almost every level of action in the development and delivery of ESF structural fund programmes. Two main contrasting types of power have been identified as key to affecting the environments in this study, and it is the effects of the use of these types of power that will be shown to have shaped the structural funds and the composition of partnerships instigated to gain funding.

### **3.5**

#### **The State and Trusteeship**

The purpose of power held by statute or mandate is to entrust the state to provide adequate services for the public good (Cowen & Shenton, 1996; Lodge, 2004). This study views the role of the state governing bodies involved in this case as an administrative one

which is affected by, but not wholly relevant to, the political backdrop. It also considers the role of state administration is to develop and deliver policy goals for the benefit of the public. This role of the state to use its power to provide for the public good has been referred to as 'trusteeship' (Cowen & Shenton, 1996) or 'fiduciary trusteeship' (Lodge, 2004), as the state essentially acts as a trustee for the public purse in this limited sense, just as a trustee would act for a charity, school or private business. But as Cowen and Shenton show, drawing on Saint-Simon's, view of the state as the underwriter of trusteeship.

Trusteeship has been described as the intent that is expressed by one agent to develop the capacities of another (Cowen & Shenton, 1996) and was popularised by the followers of Henri Saint-Simon (the Saint-Simonions) in the 19<sup>th</sup> century. These early followers believed that only those who had the capacity to utilise land, labour and capital should be entrusted with them in order to use them to the greatest public good (Cowen & Shenton, 1996). In the modern world, the delivery of services to the public is entrusted to the democratically-elected government, who may in turn choose to entrust those responsibilities to expert providers through procurement. The interests of the public should be paramount to the trustee, and the trustee should understand the issues and manage the resources available to provide the right policy activities for the public. This concept of trusteeship has been argued to favour the centrality of decision-making for the public by the powerful 'paternalistic' state (Stirton & Lodge, 2001, p480), consolidating technocratic authority and structuring public activity through hierarchy, legality and oversight. This is in contrast with doctrine suggesting that the service user is best placed to make decisions on their services which favours a bottom-up approach to policy and delivery (Stirton & Lodge, 2001), which includes consultation and freedom of information, but which reduces the power of the state to dictate which services and policies it judges most favourable, following models of consumer sovereignty or citizen empowerment (Lodge, 2004).

The requirement upon governing bodies to distribute funds in order to procure services that will benefit the public, in line with the democratically elected government's policy aims, demonstrates the trusteeship principle embedded in this study, and suggests that funding programmes would be structured in such a way as to preserve and legitimise the state's position as trustee. Lodge (2004) argued that according to the fiduciary trusteeship doctrine, regulation of public services should be conducted in such a way as to safeguard certainty in the decision-making process through reducing the potential for arbitrary decision-making. He noted that, in this system, regulation is carried out by oversight by technocratic experts, and that any sanctioned increase in choice or voice for the public would not only compromise the perceived value of expert authority, but would undermine overall authority through hyper-accountability. The state as a fiduciary trustee, in this instance, would therefore centralise and retain the knowledge surrounding programme development in order to reinforce its position, and this would manifest as a lack of transparency in the award of funds, in the programme structures and in the limitation of contact with external actors engaging in the process. The logic of this conclusion is that paradoxically the state would undermine the role of general trusteeship it attributes to intermediary organisations and networks.

In this case study, it was anticipated that governing organisations and their policy and funding structures could exhibit strong features of trusteeship, and this would manifest as a lack of transparency in the development and implementation of the funding programme.

### **3.6 The Challenge of Structural Embeddedness:**

Power has been considered in a number of studies (Cross & Parker, 2004; Ibarra & Andrews, 1993; Provan, 1983) to have a close relationship with social and professional linkages.



This study will take a structurally embedded view of organisations within a network proposed by Burt (1976), Granovetter (1992) and Uzzi (1996) where the actor as an organisational agent is woven into the operation of various organisations in the network. Structural embeddedness views individuals as embedded within a network of relationships that influence their competitive behaviour. This is in contrast with resource dependency views, which places individuals in a more competitive field of action only constrained by their resource limitations. The structural embeddedness literature provides stronger support for understanding the situation of powerful organisations, that form high quality ties and maintain good relationships, and explains how the patterns of interaction between these prominent or powerful actors are perpetuated, increasing the likelihood of their organisations receiving positive partnership outcomes. The theory of structural embeddedness emphasises the informational value of the structural positions agents have within a network. This network theory encompasses not only the direct relationships that organisations and agents have but also the relationships organisations and agents have with third parties and the quality of those ties (Granovetter, 1992; Mackinnon *et al*, 2004). The theory suggests that the greater the structural embeddedness of organisations within a network, the greater their legitimacy, as more information about each is known. This means it is more likely that this information can be used to gain positive benefits in positioning and brokering relationships.

It has been suggested that organisations which are perceived as structurally embedded are also perceived to be more legitimate, and therefore these organisations are considered first in instances of partnership working or relationship building (Kenis & Oerlemans, 2008). Hager *et al* (2004) used this theory to show that organisations with low levels of structural embeddedness are more likely to fail, in particular citing the relative age of an organisation as an indicator of likelihood to fail. Using this logic, it is expected that the more structurally embedded an organisation is considered to be, the more power it has over its own and its

linked organisations acquisition of funds. In this way, ESF could be a driver for the structural embeddedness of organisations, especially those working in partnership with the state.

The informational value of structural positions in the network is high where those informational positions produce information on potential funding streams or business opportunities. Therefore, the more structural positions held by an actor, the greater the value of information is being harnessed. Some scholars, such as Kenis and Oerlemans (2008) and Hager *et al* (2004), place great emphasis on the relationships between actors within a 'social' network, where the network provides both opportunities and restrictions (Kenis & Oerlemans, 2008) and this affords some scope for interlocking, where for instance, employees of one organisation sit on the management board of another and also sit on a government steering group. These influential individuals occupy key positions across the inter-organisational network, which increases the level to which they are embedded within the network and exert influence upon it.

The size of the inter-organisational and institutional environment will dictate the number of individuals in such positions of power, however smaller political environments, such as devolved nations, can exhibit a lower volume of structurally embedded individuals potentially wielding a disproportionate level of power. Shortall (2004) in her research into ESF funded rural development programmes in Ireland noted that the same individuals emerged again and again on different partnerships and steering groups, and that this prompted her to question the legitimacy of individuals that were not democratically elected developing a significant power base that could deter wider civic inclusion.

This tentative question of the legitimacy of cross-sectoral partnerships demonstrating multiple group membership was echoed by Entwistle *et al* (2007) in their research into ESF

partnerships in Wales, and identified the embedded nature of certain actors in the policy process who, as a result of their embeddedness, wielded a lot more power and influence than actors that were not involved in the network or policy processes. For this study, it was necessary to question how this power was being used, because structures put in place by governing organisations to engage the network in consultation and service delivery could potentially be excluding actors that are not structurally embedded. This echoes the earlier issues raised in this chapter on the obligations of state bureaucracy for transparency and accountability, and questions whether the state is fulfilling its duty to the public by engaging with the best actors to deliver policy aims or whether it is automatically engaging structurally embedded ones as a result of its own institutions and the compatibility of organisational values.

Perrucci and Potter (1989) in their research on inter-organisational relations raise the concept of centrality in the network, which bears similarities to the original literature on embeddedness (Burt, 1976), where individuals close to the centre of the network have a high volume of ties, and individuals at the periphery have a low number of ties. The higher the volume of ties, the greater the opportunities available to the organisation (Uzzi, 1996) and the more likely that these organisations will be in a position to influence policy and engage with it. The works by Perrucci *et al* and Uzzi demonstrate that patterns of ties between organisations at board level, that is, where executives hold multiple board positions on several organisations, exist and reveal the centrality of individual actors within the network. Ties between individuals do not necessarily need to be social to be useful, indeed Kenis & Oerlemans (2008) suggest that directed relationships where one individual approaches another in the network for advice may be just as useful in developing confidence in a potential partner organisation. This centrality and influence enables organisational leaders to mould their external environment in their favour. This is similar to arguments put forward by Galaskiewicz (1985), who highlights that co-option of individuals

onto executive boards can pacify or neutralise problematic external issues, and that this strategy is actively used by organisations to bring external opposition 'in-house'.

It is however, the relationships between these individuals as agents of organisations that are of interest to this study, and the extent to which these relationships between organisations are embedded within the network may impact upon the organisations deemed desirable as project partners. Organisations within this study that are structurally embedded were most likely to exhibit a high volume of ties to the network and to governing organisations. They would also be more likely to engage in policy, partnership and service delivery activities than those organisations which are not structurally embedded.

The concept of power within this study emerges in both the institutional and network strands of theory, and the next section will build on this discussion of power to incorporate the full range of network factors influencing organisational ability to engage with government programmes.

### **3.7 Rationality, Games and Relationships in the Network Context**

The inter-organisational network has long been a focus of statutory and voluntary sector organisations interested in the formation of policy and the delivery of operational outcomes (e.g. Benson 1975; Kickert & Koppenjan, 1997; Klijn, 1997; Klijn & Teisman, 2008; Provan & Kenis, 2007). Governments, in particular, have recognised the potential for collaborative working with the private and voluntary sectors to deliver more effective policy outcomes, and as a result have facilitated the development of a 'network society' (Klijn, 2008 pp118).

The voluntary and statutory environment forms a large inter-organisational network in which multiple fields of activity and expertise interact and overlap geographically, by sector and through the mobility of individual employees (Farrington & Bebbington, 1993; Benson, 1975; Scott, 2005). The application of a theory of inter-organisational network as a political economy (Benson, 1975; Stern & Reve, 1980; Hardy & Philips, 1998; Oliver, 1990 & 1991) frames the wider environment, and encompasses the dual issues of distributing financial resource and the authority to direct or secure it. The network acts as a context within which all interactions influence other actions and combine to determine success and failure in engaging with government programmes.

### **3.7.1 Constraints on Decision-Making**

Organisations establish inter-organisational relations to secure the resources vital for organisational survival (Galaskiewicz, 1985). This gives rise to the inter-organisational network and, despite the need to interact with other organisations to ensure survival, organisations strive to be autonomous (Galaskiewicz, 1985; Park, 1996). This struggle for autonomy in an interdependent environment is the cause for rational decision-making, as organisations strive to make decisions resulting in the best possible outcomes based on the limited information available to them. Schotter (1981) suggested that institutions can be regarded as an equilibrium of behaviour patterns in some underlying, on-going game, in which rationality is inclusive of historic and contextual knowledge. Calvert (1993) concurred, suggesting that institutions were merely a persistent pattern of contextually rational behaviour to which all actors adhere because each knows that others will adhere and will expect adherence, in such a way that any individual who deviates is worse off for it. Actors therefore act and trust that others will act in a certain way as well, even if they do not have firm information that they will do so.

This concept of rational decision-making despite the incomplete information available has been defined as 'bounded rationality' in the literature (Klijn & Teisman, 1997; Lindblom, 1979; Pressman & Wildavsky, 1984; Simon, 1972) and highlights the limits of organisational decision-making and barriers to actions that would be considered completely rational. The ability of actors in organisations to make rational decisions is limited by both the incompleteness of the contextual information available to them, and their own limited capacity to use the information that is available to them to accurately calculate the best course of action in order to achieve the most positive outcome possible.

Within these limits of bounded rationality, decision-makers will develop their responses to external conditions. Benson (1975) proposed four strategies used by organisations to utilise and increase their power, these being manipulative, authoritative, disruptive and cooperative strategies. These strategies could be used by any organisation, and their strategy outcomes would depend upon their organisational power over any certain resource relative to other organisations. These strategies provide an insight into the perceptions organisations have of themselves and others in their strategizing. These strategies and behaviours bear similarities to Galaskiewicz's (1985), ideas on the origins of inter-organisational relations and organisational motivations, resource procurement, political advocacy and organisational legitimacy. The categories put forward by Benson may be useful groupings to consider when reviewing the field, and sit within the scope of the overarching inter-organisational network. It is however, difficult to separate the various behaviours of organisations within the field tidily into these three themes due to the politicised nature of resource procurement and the importance of legitimacy in conducting political advocacy. As such this study does not use these categories in a prescriptive manner to define behaviours within the network.

Based on the consideration of bounded rationality, it was considered likely that organisations in the network would strive to make rational decisions in order to increase their probability of securing funds. The result of these rational decisions would be organisational strategy to increase the probability of being awarded funding. The following table, drawn from the work of Williamson, shows the trade-off between bounded rationality and opportunism in a contracting environment face by organisations and networks engaged in public policy programmes (Williamson, 1985).

**Table 3.3 *Four cases of contractual trade-offs between opportunism and bounded rationality***

		Conditions of Bounded Rationality	
		Absent	Admitted
Conditions of Opportunism	Absent	Bliss	"General clause" contracting:
	Admitted	Comprehensive contracting	Serious contractual difficulties

**Source:** Williamson (1985)

This table shows the varying degrees of complexity of networks who bid for state-underwritten contracts to deliver policy goals and programmes. It acts as a guide to behavioural responses in the face of organisations attempting to negotiate conditions of bounded rationality and opportunism within an institutional framework.

Wherever there is resource scarcity, organisations will compete to acquire the greatest share possible in order to safeguard their existence and increase their legitimacy and power (Benson, 1975; Galaskiewicz 1985; Oliver 1990). This competition will inevitably mean that organisations will follow strategies to maximise their chances of receiving a seat at the table or a share of the goods (Benson, 1975; Oliver, 1990; Galaskiewicz, 1985; Rodriguez *et al*, 2007). Policy processes instigated by government in which the wider network is engaged have been referred to as ‘games’ (Allison, 1971; Klijn & Teisman, 1997; Klijn, 2008; Kenis &

Schneider, 1991; Lynn, 1982; van Bueren *et al*, 2003) where the network itself is the context in which games are played, and games themselves are complex policy making and delivery processes, the outcomes of which depend upon the strategic behaviours of all of the actors involved. Lynn (1982) views games in slightly wider domains in which the game begins at the very first public airing of an issue, continuing until all interest in that particular issue has been lost, this is, however, too broad a view for this thesis. Within the game, actors rationally choose to act based on their own knowledge and perceptions, and will be involved in any number of games simultaneously, where their actions in one game will influence another (Klijn & Teisman, 1997).

Allison (1971) acknowledged that games are most often structured by 'action channels' or policy goals, and that 'action channels structure the game by presenting the major players, determining their usual points of entrance into the game and distributing particular advantages and disadvantages for each game'. He also identified the concept of 'rules' that would provide structure for games. These action channels are arguably institutions. Action channels were further developed by Klijn & Teisman (1997), who defined action channels as organisational institutions that regulate game interactions. The use of this action channel model indicates that the organisations that would be successful would be determined by the structures and rules put in place by the governing organisations and interpreted within the network. Essentially, there is a criterion for an eligible winner, and this is set by the state through institutional relationships, and through the network through organisational strategy. Established action channels theoretically reduce the number of organisations likely to be successful in gaining entry to project partnerships, because eligibility criteria filter out players that are not structurally embedded or attractive for one reason or another. This relates to the earlier discussion in this chapter on structural embeddedness which stresses the perceived legitimacy of organisations that are centrally located in the



network with a high volume of network and government ties. Success in gaining funding would, therefore, be linked to the level of structural embeddedness of an organisation.

Government funding programmes, such as European programmes, established to achieve policy aims, will frequently include a partnership working component (Ferry *et al*, 2007; Shortall, 2004), which places obligation on organisations to design and deliver projects through a formal partnership structure. In order for collaboration and partnership to occur around specific policy goals, organisations must identify suitable partners, conduct negotiations to determine how the partnership will work, and develop the partnership brief (Huxham & Vangen, 2005). In an inter-organisational field in which each organisation would be likely to seek to maximise its own share of funding at the expense of another, competitive behaviours can cause collaboration to break down (Huxham & Vangen, 2005).

Differences in culture, power and areas of specialisation are also prone to cause complex interfaces between organisations that are not easily resolved (Brown, 1983). This can be further compounded when projects need to be of a high value, but few voluntary sector organisations are able to underwrite the risk of leading such high value and high risk projects, and administering to a large partnership. This does, however, open up the field of bidding and delivery to managers in the public sector, who may become far more influential in project design and delivery when acting in a project lead role, rather than as a policy and procurement role. This 'hands-on' public sector management activity in the network reinforces the work carried out by public sector programme developers in directing project funds towards specific activities. This channels funds to certain organisations that are judged to have the right skills, expertise and capacity, and targeting activity in favoured policy areas. This activity has been referred to as network governance (Klijn, 2008; Lynn *et al*, 2000).

Klijn defined public governance as 'the directed influencing of societal processes in a network of many other co-governing actors' (Klijn, 1997 p39). This statement serves to remind us that the network is affected by a number of forces at any one time, and that organisations in it will be unlikely to be focused solely on one source of income, even though they may be more dependent upon one source than others. As such, actions taken by participants of this study would be based on information not only around one funding programme, but by information on other funding and political considerations as well. A network of co-governing actors could include those from multiple public sector departments or authorities directing different funding streams into the network. Co-governing actors could also include policy makers and politicians that would not direct funding themselves, but would potentially create the conditions for funds to be allocated towards a particular area. This equates to governance being the attribution of public status in policy formulation and delivery.

Organisations in the network attempting to secure monies from more than one source would be required to consider the implications of their actions for all of their confirmed and potential sources of funds, and so would be subject to the decisions of multiple network managers. This is a rationality trade-off seen in Table 3.3. Lynn *et al* (2000) took a broader and more descriptive view of governance, stating that it 'implies an arrangement of distinct but interrelated elements' and that it 'comprises both formal authority and the informal exercise of judgment by the numerous actors and entities involved in implementing public policies and programs' (2000, p4). This echoes the type II MLG discussed in chapter 2. This certainly provides a broader consideration of public governance and makes explicit the role that civil servants play in the use of their own judgement, however neglects consideration of the impact those decisions make upon the network.

Bovaird and Loffler (2009, pp6) occupy a middle ground more appropriate to this thesis, describing public governance to mean 'how an organisation works with its partners, stakeholders and networks to influence the outcomes of public policies'. As will be discussed later, it is important to this case study to uncover the influence of the governing organisations involved in order to identify the effects these actions have on the network and the eventual recipients of the funds. An active approach to governance by governing bodies, which is evident from programme structures that require high value projects or cross-sectoral partnership (Mitchell & Shortell, 2000), may demonstrate a process of 'network management'.

Viewed from the network perspective, governing organisations act as network managers in so far as they determine the rules of any individual game that is instigated within the network (O'Toole *et al*, 1997). Where government is very involved in influencing or directing action within networks, there are often criticisms of this activity, and the use of networks to achieve policy goals has been considered by a number of people to be non-transparent and un-representative of the wider voluntary sector (Klijn & Teisman, 1997 pp59; Rhodes & Marsh, 1992). There are, however, acknowledgements in the literature that engagement with or management of the network is essential in order for government to achieve goals it would be unable to achieve alone (Klijn & Teisman, 1997). The legitimacy of a government department to be acting in a dual network and project manager role for any particular game instigated by their own organisation is questionable. This is because this dual role arguably reduces transparency in how funding is allocated to the network, as the rigorous application processes to secure funds from the main managing authority would not be used to select partners or sub-contractors. This role also provides the government department with a monopoly on those funds, and with this monopoly comes the power to distribute the funds as the project leader wishes. These questions of legitimacy raise issues concerning the transparency of funding directed through these

programmes and the overarching obligations of trusteeship to procure the best services for the public.

This concern with governance in and of the network becoming more closely directed by public managers draws the discussion finally to the need exhibited by the network to have a body not only influencing in a network manager capacity, but actively driving, facilitating and managing processes in order to achieve the desired outcomes. Funding instruments are tools of the state that are used to achieve its own policy goals, however these need to be used strategically at the right time and in the right environment (De Bruijn & ten Heuvelhof, 1997). Even with this expectation of some contextual work having been applied to the instruments, programmes may be too complex for a lot of actors to engage with independently as a result of a lack of expertise, experience or capacity. This imbalance in the network between organisations that do and do not have the relevant expertise to compete fully in the game can cause the organisation governing the programme to attempt to improve accessibility to the programme that goes beyond network management and becomes a more hands-on strategic bridging activity.

The primary purpose of a bridging organisation is the connection of other organisations and individuals in activist domains (Lawrence & Hardy, 1999). Agranoff (1990) has noted that inter-governmental organisations emerged in the U.S. in response to a need for organisations to bridge the state and the service delivery sector. Whilst Lawrence and Hardy view bridging organisations as independent entities, Westley and Vredenburg (1991) point out that unlike mediating organisations, bridging organisations enter into negotiations to forward their own ends as well as the ends of those organisations involved. These are somewhat conflicting views, however it is possible for governing organisations in particular to act as a higher form of bridging organisation operating above the conflicts within the network, whilst still forwarding its own policy agenda.

Brokers or strategic bridges in cases where there is conflict are usually best placed to intervene when there is a clear hierarchical dominance on the part of the intervening organisation, or where organisations are collaborating (Brown, 1983). Therefore, governing or mediating organisations are best placed to moderate interactions and develop consensus as they operate above the resource and legitimacy competition experienced in the network. These strategic bridges are however still susceptible to, as noted by Lynn *et al* (2000), the decisions and judgements of civil service employees, and these actors will look to structurally embedded organisations in the first instance to achieve consensus and deliver policy goals. Based on these considerations, it is likely that governing organisations acting as project leaders will become strategic bridges between the organisation and the network, and will determine the success of organisations in receiving programme funding.

This thesis proposes that it is possible for governing organisations to move from being network managers acting at a defined distance to control the rules of a game, to become strategic bridging organisations that become embedded in the game itself, negotiating with the network to develop projects and defining which organisations will be involved. Is this MLG by another name? Or is this something different? The second analysis chapter will look critically at this process of government department moving from network manager to strategic bridge and ask whether the network conditions caused by the programme structure necessitated this change. A question that will inevitably follow this will be whether the embedded involvement of a governing institution in the management and distribution of funds to the wider statutory and voluntary sector was considered a favourable outcome when the programmes were being designed, and whether the programme design was in fact carried out to necessitate departmental involvement in project partnerships.

This chapter has demonstrated the need for the use of dual theoretical themes in order to uncover the processes that influence funding programmes instigated by governing institutions.

The first two research questions focus the study towards institutional and bureaucratic themes. These themes were illustrated on the right side of Figure 3.1 and considered to be key in reinforcing MLG and shaping funding opportunities for organisations in the network. Using first a bureaucratic lens to look closely at the state governed and bureaucratic processes that shape funding programmes, the framework illustrates how organisational desire for legitimacy and organisational commitment to its own bureaucratic values shape eventual funding instruments and eligibility criteria. The work of Meyer and Rowan (1977) and Scott (1987) on institutions, and Meadows (1967) and Zucker (1983) on legitimacy and bureaucracy, contributed to the institutional approach used in this study linking to the over-arching concept of MLG. Power, as discussed by Lukes (1974), Gray (1989) and Berenskoetter (2007), is considered in terms of hierarchy, position and relationships, and the concept of structural embeddedness (Burt, 1976; Granovetter, 1992) emerges as a likely characteristic of successful organisations. At each level involving government, MLG emerges as a reinforcing characteristic for rationalising activity.

Research questions three and four turn the focus of the study towards the network context, illustrated on the left of Figure 3.1 (see p.83). This is important in understanding the ability of network organisations to access funding and in answering research questions 2 and 3. Themes of power, rationality, competition, strategic bridging and network management are used to understand the functions and dysfunctions that characterise the inter-organisational network, which in turn determines how organisations have differing ability

to engage with the funding. Within this context, the importance of structural embeddedness is reinforced and shown to create a higher tier of organisations within the network that hold key informational positions.

Running through both of the overarching themes is a consideration of power and how this is held and utilised throughout the whole process by different actors. This exhibits an overarching theme of MLG.

In both the review of the literature and construction of the theoretical framework, institutional themes emerge as likely to be slightly more dominant in shaping the ESF funding route which is the focus of this study. This is due to the operation of type II MLG within governing bodies, which does not conform to rigid jurisdictions and in which policy aims and activities overlap. Further, the institutionalised nature of relationships between governing bodies and network organisations will consolidate the relative importance of institutional themes in addressing the overarching research question. That is not to say network factors are marginalised, indeed without attention to these factors, it would be impossible to understand why certain organisations are successful and others not. Rather, it is important to consider the relative significance of the themes under investigation in answering the key research questions.

## CHAPTER FOUR

### The Welsh and European Contexts

#### 4.1 The European Union (EU), Wales and the Structural Funds

In order to address the research question it is necessary to consider both the overarching European environment and the Welsh institutional and network context in which the study is situated. The European Social Fund (ESF) programmes were created and delivered against a backdrop of significant structural change in Wales, and the scope and political context of these changes should be considered alongside any research into the institutional and network environment of this time period.

The first section of this chapter explores the history of the European Social Fund, its place within the European Commission (EC) and its evolution into the programmes that were in place in Wales for 2007-2013. Consideration of the themes guiding the ESF and the implementation of changes and programmes in its lifetime by both the EC and by the member state governments provides valuable context for the study of the partnership project formed for the 2007-2013 programme.

Secondly, this chapter focuses on Wales as a devolved 'region' of the European community made up of two NUTS 2 regions<sup>10</sup>. This section provides background information on the Welsh political and institutional environment, particularly with consideration to the changes associated with devolution, and considers the relevant history of the Structural Funds within Wales, focusing on the political and policy-making environment governing the funds and the issues associated with the 2000-2006 Objective 1 programmes that preceded the 2007-2013 programmes. This context is beneficial in understanding how policy-making

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<sup>10</sup> The Nomenclature of Units for Territorial Statistics (NUTS) is a geocode standard for referencing the subdivisions of countries for statistical purposes. The standard is developed and regulated by the Eurostat for the European Union. NUTS is instrumental in European Union's Structural Fund delivery mechanisms. The NUTS 2 level encompasses counties and groups of unitary authorities



was carried out in Wales, why the networks, relationships and partnerships detailed in this thesis exist, and identifies differences in the structures and behaviours of those organisations involved in the 2007-2013 programmes.

Finally, information gathered by Welsh institutions on the lessons learned from the 2000-2006 programmes is explored, and relevant detail on the 2007-2013 programmes is provided in order to illustrate the requirements that were set out for organisations wishing to engage with the funds. This provides a basic guide to how the funds were presented to the wider statutory and voluntary sectors and assists in the analysis phase in understanding why the programmes were structured the way they were, and how this created a network environment in which certain organisational profiles would have an advantage over others in securing funding.

## **4.2 The History of the ESF**

A brief history of the ESF is included as Appendix 1. This short section outlines the significant changes affecting the fund that impacted upon this study.

In the previous chapters, the concept of MLG was raised in relation to the involvement of supra-national, national and regional bodies upon Structural Funds policy delivery. It has been proposed by some scholars (Hooghe & Marks, 1996) that MLG has been strengthened through the changes made to the Structural Funds. This has likely strengthened relationships between the EU and regional administrations, and has afforded regions a louder voice and presence in the EU, a role in which they are able to take different positions to their national governments. Importantly, MLG ceases the monopoly the nation-state had on diplomatic and administrative relationships with other states and the EC. Cappelen *et al*

(2003) studied the convergence of EU nations and the process and effectiveness of the EU funds. They suggest that:

*'One of the main purposes of the 1988 reform was to strengthen the co-ordination between the regional policy of the Member States and the EU structural funds on long-term plans and objectives.'* (2003, p629)

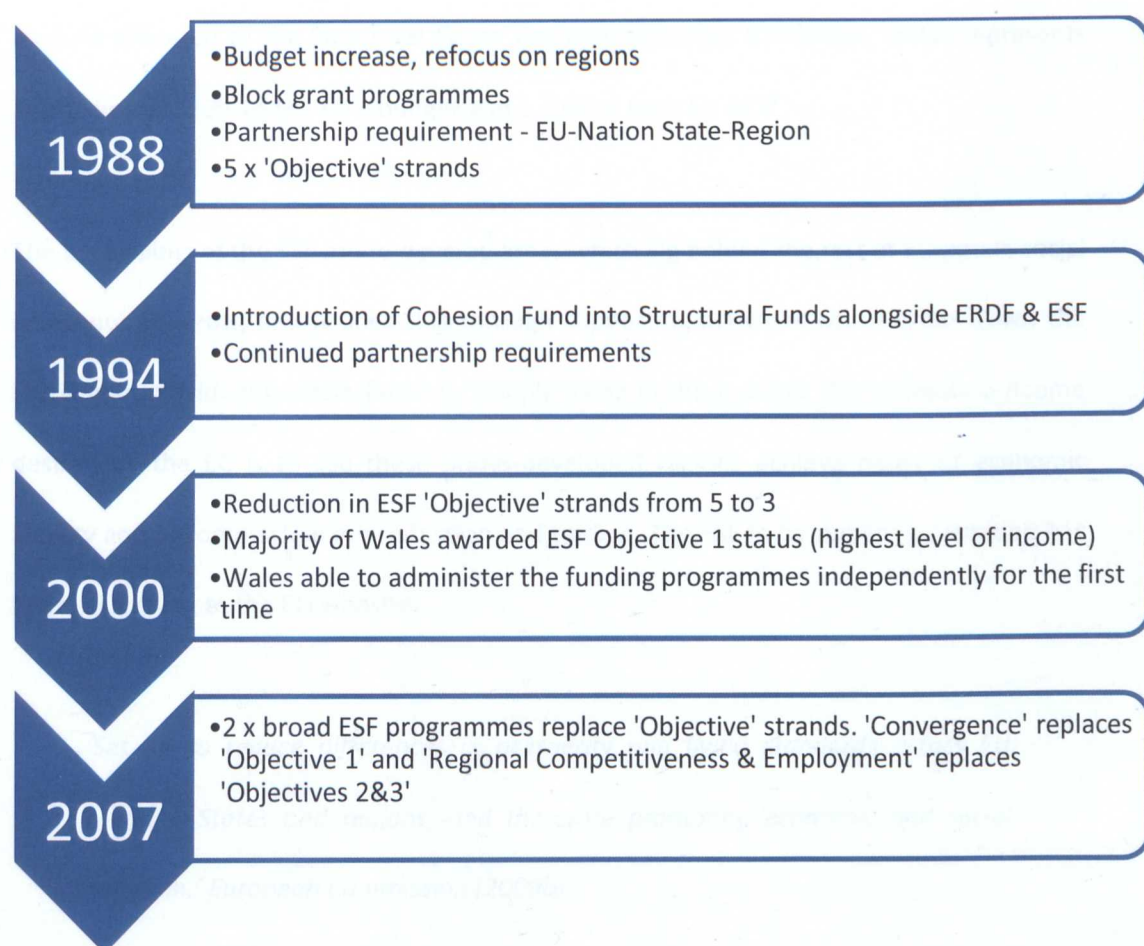
Sutcliffe (2000) concurs with this view, stating:

*'In one view, the 1988 reform was integral to the development of a system of multi-level governance in the policy sector, whereby sub-national actors would become increasingly important alongside European actors, such as the Commission, and the central governments of the member states'* (2000, p291)

MLG was, therefore, strengthened through the EC's changes to the 1988 Structural Funds revisions, it allowed Wales' civil servants and politicians to develop relationships with European counterparts, and as such, provided regions such as Wales with greater power than they had previously, to speak for themselves in Europe.

Figure 4.1 provides an overview of the key developments in the Structural Funds from the 1988 revisions to the revisions of the 2007-2008 programmes. In 1994 the Cohesion Fund was created to work alongside the two other Structural Funds. In 2000, the EU adopted the Lisbon Strategy with the aim to make the EU the most advanced, knowledge-based economy by the year 2010, and in order to support the Lisbon Strategy, the ESF adopted additional priorities in the 2000-2006 period to focus on increasing specific economic activities in deprived regions.

**Figure 4.1**      *The Evolving ESF*



For the 2007-2013 programmes, the EC wanted to focus interventions on adaptability and modernisation to encourage enterprise and entrepreneurship. The new programme provided an opportunity to all regions receiving funds to change their programme administration and to redirect funds, if they so wished.

The 2007-2013 programmes formed the focus of this case study.

### **4.3                                      The Contemporary ESF**

The ESF is now considered (Bulgarelli & Vergani, 2000) to be the main European financial instrument for investing in people. The importance of the Structural Funds has grown steadily over time, and represented the second largest budgetary expenditure in the EU

(Sutcliffe 2000) at the beginning of the 21<sup>st</sup> Century. For the 2007-2013 programmes, the amount allocated to the Structural Funds was approximately €75 billion, which represents approximately 30% of the EU's budget and 1.17% of total EU GDP

The broad aims of the ESF are to develop areas which lag behind the rest of Europe in social or economic terms, and it does this through supporting activities which break down the social and individual barriers faced by people living in these areas. The ultimate outcome desired by the EC is to see these under-developed regions achieve parity of economic activity and become active in production and trading. The ESF in its current incarnation has been, according to the EU website:

*'Set up to reduce differences in prosperity and living standards across EU Member States and regions, and therefore promoting economic and social cohesion.'* European Commission (2009b)

The activities funded have focused on getting the hard to reach, under represented and under-employed groups into work, focusing in regions where underdevelopment is contributing to poverty cycles and related social issues. In order to accommodate the lengthy budget negotiations for the programmes, ESF and ERDF Structural Funds are administered in operating programmes lasting either 5 or 7 years, and one major condition attached to ESF funding is the requirement for all ESF funds to be matched with a defined proportion of funding from either the recipient government, charitable trusts and foundations, or the private sector (match-funding). The match-funding requirement differs between programmes, however can be between 30%-60% of a projects total cost. This not insignificant sum must be confirmed before ESF monies can be released, and therefore the ability to acquire match-funding will dictate whether an organisation can access ESF monies. There is, therefore, a parallel game running alongside the game to secure ESF

monies. Match-funding may be contributed by each organisation from their own funds, or could be applied for collectively for the purposes of the project. Projects run by government may be in a better position to receive match-funding from the government purse, however projects run by the voluntary sector or projects without governmental match-funding would need to conduct parallel negotiations with, or make applications to, other funding sources. Either way, organisations must be mindful of meeting their match-funding requirements and the regulations attached to funding from other sources.

The ESF can be awarded to any organisation, regardless of sector, to achieve the programme outcomes. In particular, the ESF centres around 5 priorities:

- Helping workers and enterprises adapt to changing circumstances in the economy
- Enhancing access to employment and participation in the workforce
- Improving training and skills, both for individuals, and through better education and training systems
- Promoting partnerships between actors such as employers, trade unions and non-governmental organisations, for reform in the fields of employment and inclusion in the labour market
- Reinforcing the social inclusion of disadvantaged people and combating discrimination in the labour market

**Source:** European Commission (2009c)

Following the 1988 revised framework, for the first time, sub-national governments and administrations would be involved in regional policy making that would govern expenditure (Bailey & De Propriis, 2002). Rawlings (2003) noted that the EC sees the funds as a 'powerful means of increasing the effectiveness, visibility and democratic acceptance of the Structural Funds' (2003, p440). He goes on however, to argue that the regulations provided by the EU

for the partnership principle are ambiguous and provide the member state with significant power to dictate who can be part of any partnership, and how to administer it. This considerable room for interpretation means that member states or regions managing these programmes are potentially able to channel the funds to favoured service delivery agencies.

Bailey and De Propriis (2002), similar to the findings of Cappelen *et al* (2003), asserted that the Structural Funds framework serves primarily to provide nation states with a sense of entitlement to funding, and that the potential for regional actors to share in policy making concerning the funds was over-exaggerated (Bailey & De Propriis). Rodriguez-Pose *et al* (2004) shared the view that the funds had perhaps come to be considered an entitlement, and that this encouraged dependence, meaning regions were unable to grow beyond the threshold of assistance. Historically, some governments had considered Structural Funds as reimbursements for their contributions to the EU (Bailey & De Propriis, 2002; Sutcliffe, 2000), and sought to direct funds to where they saw fit, avoiding devolution of these choices to regional government. This was contrary to the spirit of the funds, and in the case of the UK government, an intervention was made by the Commission in 1991, prior to devolution, to stop this practice (Bailey & De Propriis, 2002). In the context of Wales, its newly acquired governance of the funds would allow it to shake off the historic constraints on their use by the UK government.

The processes of the administration of the funds by member state and regional governments have been commented on by numerous authors (Bache & Bristow 2006; Bailey & De Propriis, 2002; Hooghe 1998; McAllister 2000; Royles 2006), and these studies provide a collage of the struggles experienced by those states and regions. Hooghe (1998) and Bailey and De Propriis (2002) cite Spain as an example of a country that possessed neither the administrative or technical expertise to effectively achieve the required

outcomes. Bailey and De Propriis also point to the difficulties experienced by Italy, which resulted in significant sums being returned to the Commission, as an example of ineffectual governance of funds. There is some consensus (Bailey & De Propriis 2002; Royles 2006) that these difficulties were experienced as a result of a lack of regional administrative and policy making capacity in the very areas that were required by the revised frameworks to take a more active role in this activity. This demonstrates that the ESF funds have not been universally well administered, and that even with the requirements placed on nations and regions to administer the funds according to stringent rules and regulations, the programme may still fail.

The number of regions eligible and in receipt of Objective 1 (now Convergence) funding has grown larger with every programming period. In 1989 only 44 regions qualified as earning less than 75% of European GDP, however this grew to 67 for the 2000-2006 programmes. There is debate however, as to the effectiveness of the programmes. Of the 44 regions eligible in 1989, 43 of those remained eligible for the 2000-2006 programmes (Rodriguez-Pose *et al* 2004). Within the 2007-2013 programmes, 39 of the regions eligible in 1989 will still be in receipt of the funds. West Wales and the Valleys therefore joined a number of other regions in being a repeat recipient of the funds. Could one reason for this be the handling of the funds by the Welsh Government?

The EC awarded approximately €75 billion (30% of the EU budget) in ESF across the Union under the 2007-2013 programmes. Approximately 80% of this would be handled and distributed by national administrations. Member states would therefore design their own ESF operational programmes in order to respond to the unique issues considered in local context on the ground. The EC would not have any direct control or voice in the distribution of these funds, other than agreeing a framework for distribution and monitoring with each member state distributor (Bailey & De Propriis, 2002). The EC would however, have both its

institutionalised relationships and its increasing access to regional government Wales through MLG, to exert its power over the direction of the funds. Wales therefore, would be subject to EC influence, but would largely be able to decide the detail of its own ESF future.

#### **4.4 Wales and the Early Days of Devolution**

*'The creation of Devolved governments in Scotland and Wales has been judged the most radical constitutional reform to affect the territorial politics of the United Kingdom, at least since the Second World War, and arguably since the Great Reform Act of 1832.'* Hogwood et al (2000, p81)

Whilst Hogwood et al's statement is debatable, their basic point that devolution has caused significant structural change is sound. It is important for this study to consider devolution in Wales in particular because the award of European Structural Funds was made within the same year as the devolved government took power, and was subject to high expectations and political scrutiny (Royles, 2006). The Welsh Government has never existed without the influence of European Structural Funds on its internal policy environment, and the political and policy-related activities surrounding the original 2000-2006 ESF programmes in Wales would most likely have a significant impact upon the structures for the 2007-2013 programmes.

The New Labour government came into power in the UK in May 1997 with a mandate for a broad programme of constitutional reform. The devolution referendum for Wales, held in September 1997, resulted in the public voting in favour of devolution (Rawlings, 2003) giving Wales its own legislature and supporting civil service.



The referendum outcome approved and provided powers to the first Government of Wales Act in July 1998, which led to the establishment of the National Assembly for Wales (NAfW) as a corporate body in July 1999 (Rawlings, 2003) with limited and prescribed powers for secondary legislation only (Drakeford, 2005). During its infancy, the civil service administration was known as the Assembly Cabinet, and was not legally separated from the National Assembly as it initially had no responsibility for scrutiny, an arrangement that caused some friction in the early days (Osmond, 2000). This was quickly resolved through restructuring, and the organisations were split into the National Assembly for Wales and the Welsh Assembly Government (WAG<sup>11</sup>) (Palmer, 2008)

The first elections to the National Assembly for Wales (NAfW) were held in May 1999, and the NAfW originally contained 60 Assembly Members (AM's). The NAfW's early years were somewhat tumultuous due to the politics involved in establishing a new legislature, and within the first year the new government faced 'a mounting tide of criticism' (Rawlings, 2003 pp1), a good deal of which was related to the management of the ESF programmes. The young NAfW struggled to manage its newly awarded responsibilities, was accused by opposition and in the press of having too narrow a focus on Structural Funds, and within a short period of time, there was, as Drakeford notes 'one Party leader arrested, one deposed in a 'palace coup' and yet another voted out of office by the Assembly itself' (Drakeford, 2005 p499).

Following the resignation of the first incumbent of the First Minister for Wales position due to scandal, Alun Michael stepped into the role. However his political handling of the ESF

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<sup>11</sup> Whilst much of this thesis' historical references will refer to the Welsh Government as WAG as it was named originally, WAG was re-branded as the Welsh Government (WG) following elections in May 2011 in order to further reduce confusion between the functions of the NAfW and WAG. This thesis will predominantly refer to the 'Welsh Government' except where historical quotes use the term WAG.

Objective 1 programmes was to be his downfall<sup>12</sup> (Palmer 2008; Rawlings, 2003). Another victim of the Structural Fund debates was the then Agricultural Minister, Christine Gwyther, who was subject to two votes of no confidence concerning her apparent failure to negotiate with the EC. This brief history should demonstrate the political importance of the management of the structural funds, and serve as a warning to politicians and civil servants that perceived failure or mismanagement has severe consequences.

A lack of flexibility in the operations of the new Assembly has been pointed to as significant in the development of the devolved nation's policy work (Rawlings, 2003) including work carried out on developing the ESF. The initial approach by Welsh political and administrative leaders was suggested to have been quite narrow, and there have been suggestions that the civil servants leading the early policy work in the Welsh Government lacked experience in European and domestic policy making (Palmer, 2008). Early accusations asserted that the new Assembly was not giving sufficient time to the issues surrounding the implementation of the Structural Funds (Palmer, 2008), and, in particular, AM's were argued to have given insufficient time for meetings with individuals perceived to be key in negotiating better terms (Palmer, 2008). Rawlings (2003) provides a rather damning account of an early plenary debate concerning the ESF funding strategy:

*'Here was a policy of fundamental importance to the economic regeneration of large parts of Wales, one with many different aspects, and on which the officials had laboured long and hard. The debate was crammed into one hour. Far from being, in the infamous phrase, 'the Grand Inquest of the Nation', it was 'the theatre of the absurd'.' Rawlings (2003, p190)*

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<sup>12</sup> Rhodri Morgan took on the role of First Minister in October 2000 and occupied it until December 2009 when he was succeeded by Carwyn Jones.

The inadequate amount of attention provided to the implementation of the Structural Funds would suggest a lack of understanding of the gravity of the funds by the AM's in their first days of government, and provides an example of the difficulties faced by the new legislature.

#### 4.5

#### Wales and Relations with the EU

It has been said that within Western Europe, the rise of regional government has been a significant phenomenon in the last 50 years (Keating 1998, Rawlings, 2003). This has been reflected within the strong regional focus within the EC, and was one of a range of political drivers for devolution (Rawlings, 2003; Rodriguez-Pose and Gill, 2003). Indeed the EC, via a European Strategy Group commissioned to look at the Wales-EU relationship post-devolution, made a number of recommendations that would strengthen the Welsh-EU bonds exclusive of UK government. This European Strategy Group Report (1998) makes clear that in its devolved form, the National Assembly for Wales should have permanent representation in Brussels, engage with European policy-making, support regular secondments of civil service to the EC and encourage Welsh graduates to view the EC as a potential employer.

Prior to devolution, neither Wales nor the Wales Office within Whitehall, had a significant individual voice in terms of European policy making. The Cabinet Office European Secretariat, the Foreign Commonwealth Office, the Treasury and the Cabinet Office Legal Advisers have been identified as the main 'players' in the pre-devolution negotiation and planning of European funding and policy (Hogwood *et al*, 2000). Whilst the Secretary of State for Wales held a Cabinet post, these positions are often viewed as junior and do not provide the power to influence key decision making on EU related policy (Palmer, 2008). Whitehall's tight control of the European policy negotiation and implementation restricted

the ability of wider actors to engage in the process and isolated Wales from early stage negotiations on policy (Rawlings, 2003).

In reviewing the on-going process of devolution, Hogwood et al (2000) asserted that the administrative and political landscape was becoming more complex and had begun to challenge previous norms in engaging with Europe. They point to the fact that prior to, and during devolution, the bureaucratic elements within Whitehall had the greatest input into the management of European policy, but that this would likely be challenged by the devolved territories once established. Since Hogwood was writing in 2000, Drakeford (2005), writing five years later, commented in his view on Wales and New Labour that there continued to be a tension during the negotiations for 2007-2013 programmes between those such as the UK treasury who would prefer to see 'repatriation' of EU funds to nation states, and the EC in Brussels, which promotes a regional approach (Drakeford, 2005). Indeed, there continues to be friction between Wales and Whitehall concerning the UK position on European policy in general, with Wales unable to wield any influence over, or have a valued input into, Whitehall-based policy decisions (Palmer, 2008). This may be compounded by the fact that although the Welsh Office in Whitehall is tasked with representing the interests of Wales at UK government level, it is not required to act as a mouthpiece for the Welsh Government, allowing the Secretary of State to formulate and pursue actions based on their own views (Palmer, 2008).

The responsibility for ESF provided a significant opportunity for the newly devolved government to make quick and visible impact when it took power in 1999, however it also provided it with something of a headache (Rawlings, 2003). Morgan & Mungham (2000) referred to the award of structural funds as a mixed blessing for Wales, being beneficial to the development of Wales from one perspective, but creating a significant political and administrative burden for a very young devolved government. The very fact that Wales had

been awarded this highest level of funding from the EC indicated that the nation was not performing well economically compared to its peers, and reflected deep social and economic issues that would no doubt be difficult to resolve. Of course, these wider social issues could only begin to be tackled if the funding was targeted effectively. The work required of the new Assembly to create the funding structures was significant, and would require the collaboration and cooperation of Whitehall, the Wales Office and the EC. A report issued by a European Strategy Group led by the EC and consisting of both EC and Whitehall employees in 1998 stated that at its inception:

*'The most urgent and immediate question facing the Assembly will be the future support to Wales from EU funds. This should receive top priority as it is crucial to meeting the economic development challenges for Wales in the years ahead.'* European Strategy Group Report, 1998, p8)

Much of this urgency revolved around the necessity for the Welsh Government to find the necessary match-funding for the ESF monies. The previous ESF monies directed to the Wales 'region' had been allocated via the UK government and were subject to, and bound up with the block grant calculated by the controversial Barnett Formula<sup>13</sup>. The block grant and budgets for Wales had already been agreed, and it was settled by the U.K. government that the newly devolved administration would need to find within its block grant, the

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<sup>13</sup> The Barnett Formula, so-called after former Chief Secretary Joel (now Lord) Barnett, was used within the course of a public expenditure survey to adjust the spending plans for the three territorial departments (the Scottish Office, Welsh Office and Northern Ireland Office) to reflect changes in comparable programmes in England (or, in the case of Northern Ireland, Great Britain). Following devolution, the formula has contributed to the calculation of the budgets for the Scottish Parliament and the National Assembly for Wales. Put simply, the Barnett Formula set percentages of changes in comparable expenditure in Great Britain. That is to say, it would be 85% of expenditure for England, 10% for Scotland and 5% for Wales. Under devolution, it was decided that the Barnett formula would be up-dated annually to take account of the latest mid-year population estimates to be published by the Office for National Statistics. A reduction in the population ratios would mean that the Scotland and Wales blocks receive smaller increases as a result of expenditure increases in England but smaller reductions in the event of cuts (Twigger, 1998).

necessary monies to provide match funding to the ESF grants. As a result, the new government:

*'Had little choice but to scrabble around for funds to initiate the [ESF] programme, while continuing to pursue negotiations with the Treasury for special treatment' (2003, p80)*

This early difficulty was destabilising for the politicians involved, and even though they and their civil service had devoted considerable attention to the ESF programmes, the sheer scale of the funding seemingly at stake was enough to trigger resignations. McAllister notes:

*'There were tensions from the very outset between the Assembly and the Treasury in Whitehall surrounding the issue of match funding for the first Objective One programme in Wales. It was to prove the irresistible catalyst bringing about the resignation of First Secretary, Alun Michael, early in 2000. Between May 1999 when the Assembly met for the first time and Michael's resignation in February 2000, the planning and organisation for the management of the new funds had been a priority for the Assembly and its civil servants.'* (2000, p595)

These observations are also echoed by Morgan & Mungham (2000), who note that the whole issue of Objective 1 funding and the principle of additionality 'cast an awesome shadow' over the NafW, and they claimed that, although the substance of the ESF programmes may have been in the quality of the projects, the politics, internally within the UK at least, were in the issues of additionality. Shortly after the departure of Alun Michael as First Minister, the UK Treasury provided Wales with the substantial extra funds it

required in order to implement the new programmes. Approximately £20 million was provided over three years, with a further £500 million being earmarked for 2003-2006 (Rawlings, 2003). This provided the Welsh Government with the budget to implement its own projects, and allowed it to avoid the necessity of raising match-funding from private sources that would seek to include their own vision in any projects. This provided the Welsh Government with a certain level of freedom in delivering its fairly inclusive and grants-based approach to funding distribution.

The Single Programming Document governing the Structural Funds was finally signed off by the EC during July 2000. This approval allowed the Programming Monitoring Committee (PMC) within Wales to be formed. Representatives from all three sectors, plus political parties, technical and thematic experts (e.g. voluntary sector, business, environment) and EC representatives made up this committee, the purpose of which was to monitor and guide the programmes (Royles, 2006; Rawlings 2003). This committee would be the main interface between the EC and Wales for the Structural Funds programmes, and it is at this intersection that influence from the EC may be applied and may persist, ensuring the ECs agenda is not forgotten or overlooked throughout the programme life cycle. It is possible that it is at this point that some aspects of MLG are most evident, with the supra-national EC able to engage with the sub-national Welsh Government and influence its actions. It is also clear that direct relationships between the EC and Wales would be formed and institutionalised through the PMC, and that this would provide opportunities for both agencies to completely by-pass the member state government.

In 2000 the administration of the funds fell to the Welsh European Funding Office (WEFO). This office was formed from the former Welsh Office European Affairs Division with staff of the Wales European Programme Executive. The PMC continued to oversee WEFO's work and guide its approach to implementation. WEFO, as an executive agency of the Welsh

Government, became the Managing Authority for the structural funds in Wales (Royles, 2006). In 2003, a further shift took place in the status of WEFO, with its executive agency status being removed, and its integration into the Welsh Assembly Government Department for Economic Development and Transport taking place. The politics of the absorption of WEFO into the Welsh Government structure concerned increased accountability and control over WEFO's activities. Mindful of the points made earlier in this chapter concerning a political lack of precision in managing the Structural Funds in the early days of the Assembly, the absorption of WEFO into the Assembly signalled that the government was trying to remedy those early criticisms. The process of moving WEFO into the central governmental structure was a clear demonstration of governmental will to be in control of, and accountable for, the work of WEFO.

Within its 2007 Annual Implementation Report for Objective 1 programme 2000-2006, WEFO describes its aims:

*'WEFO's primary aim is to ensure that Wales derives maximum benefit from European funds. Its objectives are to enhance economic development and employment opportunities throughout Wales by promoting sustainable economic growth; increasing prosperity in all parts of Wales and tackling inequality, inactivity and the resulting social exclusion.'* (1999, p9)

WEFO is therefore, in its own view, the body that designs the funding programmes in line with the European regulations, assesses applications for funding, awards monies, and monitors funding awarded. This is conducted under the guidance and advice of the PMC, and within the reporting structures of the Welsh Government.



Against the backdrop of the 2000-2006 ESF programmes, the Welsh political and administrative leaders began building their presence in Brussels, hiring new staff and becoming more active in attempting to influence relevant EU policy (Palmer, 2008). There had also been an indication that the Welsh governing bodies were now responsible for influencing the UK position in Europe, rather than blaming centralised government if Welsh considerations were not taken into account (Palmer, 2008).

#### **4.6 Wales, Partnership and the Voluntary Sector 2000-2006**

Welsh devolution provided an obvious opportunity for the newly formed National Assembly to differ from Whitehall in their strategic planning and delivery of services in Wales. The 2000-2006 Objective 1 programmes were of huge significance, and enabled the Welsh governing institutions to implement their inclusiveness agenda. This inclusiveness agenda was key in Objective 1 programme design, resulting in open programmes that were similar to grants funding models. Rawlings states that 'inclusiveness as a constitutional value takes on a special prominence in the Welsh devolutionary scheme' (2003, p8). There is some general consensus that Labour's influence within Wales, and its 'third way' approach has included a more central role for voluntary sector organisations to engage with policy development and delivery (Alcock, 2009).

The Assembly rhetoric was that it would be open to, and would draw into it, a range of interests in society, sharing values and objectives across the sectors and working as a model of inclusiveness. The 1998, and newer 2006 Government of Wales Act demonstrated arrangements designed to create relations. The Assembly itself would, therefore, have a lead role in encouraging the reform of wider engagement with the governance and policy process, and thematic communities would form around the Assembly's policy powers

(Royles, 2006). The partnership processes implemented under the first round of ESF funding 2000-2006 consisted of three layers illustrated in Table 4.2.

**Table 4.2            Three Tiers of Partnership**

2000-2006 Programmes: Three-tiered partnerships		
Local	Regional	Strategic
<ul style="list-style-type: none"> <li>• Geopolitically structured</li> <li>• Partnerships covering local authority areas and engaging third sector and grass-roots groups in projects</li> </ul>	<ul style="list-style-type: none"> <li>• Thematically structured</li> <li>• Regional partnerships providing differing expertise</li> </ul>	<ul style="list-style-type: none"> <li>• High level overview</li> <li>• Social, rural, community and business partnerships – usually Wales-wide</li> </ul>

**Source:** Rawlings (2003, p441) & Royles (2006, p140)

There were between 3-10 partnerships per local authority, and several cross-authority projects in this programme. These were not integrated with the hundreds of individual projects operating in isolation, and neither was WEFO able to fully evaluate the socio-economic performance of such different projects. It is documented that there were concerns from within the voluntary sector about implementation, delays and bureaucracy directed at the 2000-2006 Objective 1 programmes. Rawlings notes:

*‘It is not surprising to learn from the coalface not only of cumbersome process and lengthy delays – an elongated decision-making chain – but also of elements of incoherence and duplication of activity across the range of different levels of partnerships.’ (2003, p442)*

This would be logical given the discussion earlier in this chapter concerning the teething problems experienced by the young devolved government. It is also a useful observation in identifying at least one of the motivations behind reforming the future programmes, as duplication in particular would demonstrate poor return on investment, and prolonged decision-making structures prove unpopular.

*'There is, too, evident tension between, on the one hand, a programme objective of 'developing the skills and attitudes to allow the region to compete as a modern advanced economy', and on the other hand, limited or small minority representation of business in the formal structures of partnership" (2003, p442)*

This last point Rawlings makes is interesting in highlighting the parochial nature of the partnership structures in place for the 2000-2006 Objective 1 programmes. How can genuine change be planned and implemented without significant input from the community of interest being targeted for growth?

It is documented that the development of the Objective 1 Single Programme Document was a largely public sector affair (Bache, 1999; Brooksbank *et al*, 2001). However, it has been argued that upon implementation of the programme in the early days of devolution, paradoxically, the opportunities for engagement were too many and too wide ranging for the third sector to cope with (Royles, 2006). Indeed, the 'three-thirds' principle, whilst a noble endeavour, was a struggle to implement in practice (Bristow *et al*, 2008). This principle required steering and other management groups to be composed of one-third public sector, one-third private sector, and one-third voluntary sector representatives. In reality, difficulties in meeting the quotas for private and voluntary sector positions rendered the principle unworkable. The ability to engage with the policy processes required expertise and capacity, qualities that were common in large organisations that could afford to keep dedicated funding staff on the payroll, but qualities that smaller organisations in Wales lacked. No immediate or tangible financial compensation could be provided to organisations 'donating' staff to partnerships and this reduced the pool of available participants (Royles, 2006). Royles summarised:

*'Overall, it seems that it was simply assumed by WEFO, the Assembly and WAG that all partners could participate effectively and equally, and disparities in experience, skills and resources were not adequately recognised.'* (2006, p145)

There is however, a legal basis for engagement with the voluntary sector in Wales, and Section 74 (1) of the Government of Wales Act 2006 states that:

*'The Welsh Ministers must make a scheme (the voluntary sector scheme) setting out how they propose, in the exercise of their functions, to promote the interests of the relevant voluntary organisations.'* Legislation Online (2011)

This third sector scheme is mandated, and is an agreement between the Welsh Government and the third sector in Wales to engage with and use the services of the voluntary sector. This scheme ensures that principles of partnership are embedded in the work of the Welsh Government, and provides a legal basis for voluntary sector organisations to exert their influence in policy making. The scheme does not go as far as supporting the sector to engage, but provides a commitment to listen and structure consultation to enable those organisations that wish to engage to do so.

The partnership principles, such as the three-thirds principle, embedded into the devolved government's activity could certainly be viewed as entirely positive action by a third sector wishing to take advantage of such opportunities. However, there is a clear tension between the wish of the Welsh Government to be inclusive, the capacity of organisations to engage, and the necessity to spend European funds in line with requirements. MLG emerges here in the development of bureaucracy, and Rawlings (2003, p335) warns that 'a danger of devolution is centralisation' pointing to an absorption of powers from local level into

regional territory level, potentially disenfranchising the very grassroots communities that partnership principles were supposed to target. If Rawlings is right, then any increase in centralised collaborative or partnership activities may serve to exclude a significant proportion of the Welsh voluntary sector. Alcock (2009) in his working paper on devolution across the UK makes a similar observation, pointing to the potential issues of closer state-voluntary sector partnerships in terms of incorporation of organisations into the state, but also identifying isomorphism as a risk factor in reducing the diversity of organisations delivering services. Whereas Objective 1 programmes avoided this form of centralised and standardised project funding, this complete aversion is likely to have contributed to the failure of the programmes. Criticism was highlighted in WEFO's evaluation of the programme, as the grants-model used resulted in a lack of coherence and strategic application that could ensure the many individual projects were contributing to a clear strategic vision. Most importantly, socio-economic performance was not improved to an acceptable level through the Objective 1 programmes, and this would logically have an impact upon the 2007-2013 programme designs.

Bachtler (2002) and Royles (2006) noted the politicisation of the structural funds, and Bachtler was mindful of the context of the scramble for funds, stating that 'Wales is unique (not just in the UK but possibly across the EU as a whole) of having to accommodate so many institutional shifts at one time' (Bachtler, 2002 p39). This is just one of the reasons why this case study is so interesting. The scale of institutional change that Bachtler refers to, at a time when organisations were vying for funding, created a rush to influence any seemingly influential individual. Royles (2006) identified incidences of lobbying of individual Assembly Members (AM's) by voluntary sector organisations in order to increase the pressure on civil servants to accommodate their needs. This relational basis for engaging in policy making or funding could create a two-tier system within the voluntary sector (Levasseur & Phillips, 2009) where organisations that have some personal access to

relevant policy-makers may pull ahead of others in the funding race, and become more established as a result. The volume of opportunity that is only meaningfully open to a small minority could also contribute to a two-tier system and result in a dense range of partnerships populated by the same people (Royles, 2006). This is a key consideration in this research, and provides further evidence of the case against the open, grants based structures of the 2000-2006 programmes.

Royles' paper on Civil Society (2006) is important to consider here given the research she carried out into partnership in the previous 2000-2006 Objective 1 programmes. Royles states that:

*'The key to explaining the degree to which organisations could meaningfully contribute to Objective 1 partnerships was resources and capacities.'* (2006, p144)

Royles points to the issues discussed above, such as a lack of capacity or expertise within the voluntary sector to engage, and the daunting level of complex reporting required, as reasons key to explaining the level of engagement of civil society groups under the 2000-2006 programmes. Within these programmes, however, it is evident that organisations were being awarded project monies for them to deliver services independently. During the application procedure for securing ESF monies in the 2000-2006 programmes, application materials show that organisations were merely required to give an account of how their project would meet the programme aims, provide standard project plans and details, and illustrate how they were avoiding duplicating services. In practice, this resulted in a high number of low net worth grants being awarded and some duplication of activities (NAFW Enterprise and Learning Committee, 2011). Under the 2007-2013 programmes, the Single Programming Document for Wales shows there have been significant changes in the

requirements for collaboration that remove the possibility of organisations applying and delivering projects independently, which inverted the practices of the 2000-2006 programmes by providing a low number of high net worth projects. These fewer but significantly larger projects received significant facilitation to be inclusive, and events by organisations such as WCVA were held to enable the smaller organisations gaining funds in the previous programme rounds to be able to gain funding in 2007-2013, as these smaller groups were be required to collaborate as partners.

It has been argued that inclusion may be more of an issue than the initial Welsh Government rhetoric on partnership and the 'third way' would suggest. Inclusivity appeared patchy within the Objective 1 programme, and the delivery of this programme drew criticism for its incoherence and poor performance in reducing social and economic disadvantage. Royles (2006) noted a clear shift away from inclusivity for the voluntary sector by the majority Labour Assembly Government installed in 2003, and suggests that this could have led to a constraint of opportunities for the majority of voluntary organisations to engage with the Assembly. She suggested that the Welsh Government would need to up-skill the sector significantly in order to offset continuing disparities between those organisations that have the ability to engage, and those that do not. This study explored how the Welsh Government conducted itself in the distribution of the funds, and looked closely for any evidence of this 'upskilling'. The failures of Objective 1 and criticism made as a result would logically impact significantly upon the design of the 2007-2013 programmes. Where incoherence, duplication and inclusivity characterised the Objective 1 programmes, the criticisms generated by it would prompt the Welsh Government to move away from this to a more strategic and top-down system of funding distribution in 2007-2013.

The 2007-2013 Structural Funds programmes in Wales were intended to bring significant financial stimulus to the Welsh economy. As detailed by WEFO in its operational programme document for the ESF Convergence fund:

*'The region will receive total Community funding of €2.08 billion to support Convergence programmes worth over €4 billion. This ESF Convergence programme will receive Community funding of €833 million (40% of the total). When this is combined with national public and private funding, the programme will provide €1.50 billion to boost growth and jobs over the period 2007-2013.'* (2009e, p1)

The 2007-2013 programme, much like the preceding 2000-2006 programmes split Wales into more or less socially and economically developed regions. The 2007-2013 Convergence stream mirrors the preceding Objective 1 geographical locations, named as West Wales and the Valleys. This area receives £1.6 billion of funds due to the high levels of poverty and economic inactivity in these areas, in particular targeting young people and providing them with the skills needed for work. This programme has 4 priorities which are:

- Providing young people with skills for learning and future employment
- Increasing employment and tackling economic inactivity
- Improving skills levels and the adaptability of the workforce
- Modernising and improving the quality of public services

**Source:** European Commission (2012a)



East Wales by comparison, is awarded only a fraction of the funds, £120 million, and these are distributed under the 2007-2013 Competitiveness programme (previously Objective 3). These funds are more targeted at getting those outside of the workforce economically active again, and at improving and increasing relevant business skills (WEFO, 2011). The area of Wales covered by each fund is shown as Figure 4.3, where the yellow areas display the Convergence areas (NUTS 2 West Wales and the Valleys), and the White areas show the more affluent Competitiveness areas (NUTS 2 East Wales).

**Figure 4.3**      *Wales Convergence Areas*



**Source:** WEFO (2009a)

In order for the expenditure to produce satisfying outcomes, member states must have effective structures in place to distribute funds and demonstrate outcomes (Duhr *et al*, 2010). In their thematic paper on the implementation of the 2007-2013 ESF programmes across the territory, Ferry *et al* (2007) stated that:

*'Implementation systems are vital to the achievement of Cohesion Policy goals, for the efficient delivery of quality projects and as an area where Community resources can add value' (2007, pV)*

Implementation priorities for 2007-2013 have been identified as:

- Improving the strategic management of programmes – ensuring value for money
- Investing in capacity for programme delivery – increasing support for organisations
- Changes to partnership arrangements - Lisbon Treaty considerations
- New co-ordination arrangements – changes to programme structures

**Source:** Ferry *et al* (2007, pviii)

These priorities are based on evaluation of previous programmes across Europe by The European Policies Research Centre at Strathclyde University, and the known changes to the 2007-2013 programmes. This report reflects extensively on the issues experienced by states in the previous programming periods, and identifies a range of potential issues. Ferry *et al* go on to state that:

*'A broad concern is the complexity and time involved in implementing programmes through increasingly complicated systems.'* (2007, p10)

This concern for the implementation process is specifically based on evidence of delays in the development and implementation of previous programmes, and is a key consideration within this study. The failure of the Objective 1 programmes to reduce economic disadvantage and produce coherent outcomes prompted the need for a more strategic approach in 2007-2013. It followed that, based on the duplication of activities and volume of individual projects for Objective 1, improvements in coherence and strategic delivery

could be made through the development of larger projects which could deliver higher volumes of outcomes over larger geographical areas. The programme structures and materials would therefore need to be designed to attract only such desirable strategic projects. In Wales, the use of new tools, called 'strategic frameworks' was expected by WEFO and the Welsh Government to improve the integration of projects and contribute to a more strategic approach to funding. These strategic frameworks provided a level of thematic split that would sit underneath the main operational programme document for the 2007-2013 Convergence programme in Wales, and the overarching single programming document that was agreed at the highest level with the EC. WEFO also indicated that it wished to reduce the number of applications received and projects awarded compared to the 2000-2006 programmes, and work with fewer, larger and more strategic projects that exhibited strong partnership and inclusion principles (Ferry *et al*, 2007). In its operational plan for the Convergence funding stream, WEFO notes:

*'Evaluations of the 2000–2006 programmes have suggested that there are too many projects and that it is difficult to quantify the contribution of some of these to achieving the strategic aims and objectives of the programmes.'*  
(2009e, p106)

WEFO awarded 2,937 projects ESF and ERDF funds under the 2000-2006 programmes, 65% of which were under the ESF programmes. This amounted to a considerable workload for that department, especially considering that this number is for successful applications only and does not take into account the assessment of unsuccessful applications over that period. This trend towards fewer, larger projects was reflected across many EU countries, based not only on guidance from the Commission, but also on past experience of significant administrative burdens on managing authorities to manage a high volume of projects (Ferry *et al*, 2007).

Partnership is a theme that has run through this chapter as a key operating principle for both the EC and the Welsh Government. WEFO had invested in the evaluation of the previous 2000-2006 programmes and these reports identified several areas for improvement, citing the strength of local and regional partnerships as particularly effective (WEFO, 2009e).

The angle of the partnership principle that would translate into the project requirements by WEFO would need to be carried out with care. This is because the evaluation report cited the difficulties organisations experienced in the partnerships formed under the 2000-2006 programmes, especially when combined with the existing administrative requirements attached to ESF funding that were already known to be a significant barrier to voluntary sector organisations engaging with ESF. This is made clear in the WEFO 2007-2013 operational programme - Annex B covering lessons learned from previous programmes, which states:

*'The Commission recognises that the control procedures required are often regarded by those involved in the implementation as unwarranted, given the costs involved, and as duplicating national systems. There are also concerns that the administrative procedures could discourage participation in Partnerships by voluntary/community sector or social partners and discourage these partners from bringing forward projects.'*(2009e, p40)

This WEFO Annex to the 2007-2013 operational programme (2009e, p38) also cited several examples of how difficulties within partnership manifested, such as lack of sharing of good and poor practice, a lack of understanding of individual partner roles and lack of capacity to engage with the partnership.

The principle of partnership within the ESF programmes was strengthened by WEFO for 2007-2013 to improve the strategic direction of the programmes. In its operational document for the ESF Convergence fund it states:

*'Sustainable and effective solutions to the challenges facing Wales are increasingly reliant on the direct and active participation of all stakeholders at national, regional and local levels. The Managing Authority (WEFO) is committed to working through good-quality partnerships and networks to rally key stakeholders behind the Lisbon reform agenda so that resources are genuinely focused on growth and jobs. In accordance with Article 11, the Managing Authority will work in close cooperation with both the Commission and representative partners at national, regional and local level, including representatives in the economic, social and environmental spheres. This partnership engagement will cover the preparation, implementation, monitoring and evaluation of the Operational Programme.'* (2009e, p187)

WEFO, therefore, committed itself to working in partnership in the development and management of these programmes, as well as enshrining them within the application process to do so. This would reduce the duplication of work funded through the ESF programmes, and encourage voluntary sector organisations to work together. WEFO also stated in its operational document for the 2007-2013 Convergence programmes its belief in the necessity of collaborative work to overcome cross-cutting and complex social and economic issues that required multiple fields of expertise that only partnership could draw together (2009e). WEFO therefore made clear its intentions to promote the partnership agenda, and its belief that funding work that was carried out in partnership was a key route to addressing the main programme objectives. Indeed, throughout the operational

document for the convergence programme, indicative activities for achieving the aims of the programme list examples such as:

- strengthen co-ordination and liaison mechanisms with partnerships and promote partnership working. WEFO (2009e, p166)
- supporting projects by regional and sub-regional partnerships to implement and improve joint delivery arrangements, including shared approaches to improve the delivery and/or efficiency of procurement, corporate functions, environmental management and customer service. WEFO (2009e, p163)

From the very beginning, therefore, WEFO was clear in its intentions to fund the 2007-2013 programmes with a much stronger partnership focus than the previous programmes and such explicit language provided groups wishing to secure funds with a clear understanding that partnership was integral rather than peripheral to any project they required funding for. Partnership would logically create some standardisation across organisations in evidencing socio-economic outcomes, and would be more strategic in targeting delivery activity through requiring organisations themselves to streamline their work. WEFO carried this partnership principle through to its acknowledgement of the voluntary sector role in achieving the aims of the programme, specifically stating that strategic partnership had a role to play and committing to promote the engagement of the sector. The document states:

*'The Managing Authority will promote good governance and partnership, including by encouraging the participation of social partners in programme activities. This includes allocating an appropriate amount of ESF resources to capacity building actions as defined in Article 5(3). The Managing Authority will*

*also encourage participation and access by voluntary and community organisations, particularly in projects that promote social inclusion, gender equality and equal opportunities.’ (2009e, p190)*

This commitment includes an indication that funds would be provided for ‘capacity building’ actions in enabling the voluntary sector to engage, although there is no research to demonstrate whether this would support embedded organisations or the wider sector. Article 5 (3) of the ESF regulations that is quoted in the extract from the WEFO operational programme refers to capacity building activities such as training, networking measures, strengthening social dialogue and joint activities, and is specific about ensuring measures improve the adaptability of workers and enterprises involved. Importantly, Article 5(4) builds on these suggestions, stating:

*‘The managing authority of each operational programme shall encourage adequate participation and access by nongovernmental organisations to the funded activities, notably in the domains of social inclusion, gender equality and equal opportunities.’ (2011b)*

WEFO was, therefore, required by the regulations to not only provide the voluntary sector with the opportunity to engage with the ESF programmes, but to actively encourage those organisations to do so, implementing activities such as those suggested to enable that engagement. In line with these requirements, WEFO launched a ‘project ideas’ notice-board on its website in 2008 to allow individual organisations to find others to partner with in the themes they wished to work. The WEFO operational document states:

*‘Strategic Frameworks will be posted in draft form on the WEFO website for comment prior to their agreement, allowing for the widest possible*

*engagement of individuals and organisations at all levels. The website will also provide a space for prospective project sponsors to publicise brief details of their project ideas with a view to encouraging partnership and collaboration at a project level.’ (2009e, p189)*

This space for organisations to communicate and develop a partnership would be the first place organisations wishing to engage would be directed. Whilst WEFO could be considered to have fulfilled its obligations to engage the voluntary and private sectors through making information available and providing the notice-board facility, there was a distinct lack of facilitation evident from WEFO in actively encouraging partnership or widening engagement. The information and notice-board made available to encourage participation of the voluntary sector were ‘hands-free’ tools that required minimal maintenance and no direct contact between those using them and WEFO. WEFO’s attempts to comply with the EU Regulations could therefore be considered to follow the letter, but not the spirit, of the requirements for participation.

The acknowledgement of the difficulties that partnership requirements potentially presented to the voluntary sector in Appendix B to the operational document was not clearly reflected in the wider strategic requirements set out in the operational documents or application material. Additional support was provided directly by WEFO to the voluntary sector in the form of the website notice-board and in the form of regional Spatial European Team individuals to enable this sector to overcome the barriers that partnership caused in the formal project development activities. The Annex B (2009e) made several additional recommendations such as provision of training and ensuring partnerships were more fully aware of their responsibilities, however it is unclear from the document where the responsibility for the provision of this training and support lies. The meaning of these



somewhat light-touch activities logically suggests an organisational reluctance to deal so directly with smaller voluntary organisations in 2007-2013.

The principles underpinning the move to these larger strategic projects suggest that large partnership projects would procure smaller organisations to deliver work on their behalf as well as deliver their own sections of the projects, and in this way, the EU funds would continue to filter down to those organisations that would have been awarded their own individual project funding in the previous programme rounds. This is, however, the theoretical direction of funding, and would not necessarily be borne out in practice due to the institutional influences putting pressure on the programmes design.

#### **4.8**

#### **Summary**

This context chapter has provided an overview of the European Social Fund and its history, and has shown how incremental changes in the fund over the years have shaped the principles underpinning how the funds are directed both socially and geographically to target the most socially and economically disadvantaged areas within the European Union.

The award of ESF funds for the programming period 2000-2006 was in one view, a significant boost to the new government's spending powers. However, in a different view, the funds were an enormous administrative, managerial and political burden to carry. The EU funds received in Wales were afforded the highest importance and claimed political casualties as a result of perceived failures, however, later programme reports show that the methods of funding distribution exhibited issues such as delay, duplication and incoherence.

The 2007-2013 programmes were specifically designed to avoid duplication of past errors. These programmes were to be more strategic and more targeted, whilst retaining principles of partnership and inclusivity. These changes to the requirements of the programmes signal a shift in the attitude of WEFO and, more widely, the Welsh Government, to achieving the policy aims set forth by the EC.

These changes have significant implications for the voluntary sector in Wales and for this study. Whereas in the previous programme an individual organisation had merely to propose a project it wanted to carry out relating to its own expertise and the proposal would either be accepted or rejected, this revised process requires organisations to collaborate to design large projects that include a number of partners or sub-contractors. These changes, with the potential to reshape the network depending upon which organisations do or do not receive funds, will have long term consequences for the engagement and success of the voluntary sector in Wales, and this is why it is important to explore both the construction of the programmes and the receipt and distribution of funds within the network. The findings of this study will demonstrate that specific institutional and network factors interact to significantly reduce the pool of organisations in Wales able to receive ESF funds.

## **CHAPTER FIVE**

### **Research Methods**

#### **5.1**

#### **Introduction**

This chapter provides a rationale for the research methods utilised in this study, and discusses the strengths, weaknesses and implications of those choices. It considers the issues that emerged in the course of carrying out the study, and how these were assessed and resolved to ensure good quality, relevant and unbiased information would be collected.

Firstly, the decision to use a qualitative method is discussed, demonstrating the logic applied to this choice and its superiority over a quantitative method for the purposes of the research question posed in this study. This discussion flows into the process of narrowing the research methods suitable for the study, to present the benefits of a case study method over other qualitative methods available.

The chapter then focuses on the question of sampling and how a suitable sample was identified and engaged to participate, making clear the potential for bias and threats to validity implicit in this process. This proceeds to a consideration of the process of data collection, including a review of interviewing techniques and guidance utilised in this study. A short description of the analysis follows this, outlining the processes executed to make sense of the information collected.

This chapter ends with a discussion of the ethical considerations necessary to ensure good practice in research and validity of the information collected.

This study takes the view that this institutional and network reality is a shared social construct, produced and perpetuated by the actors involved, and regulated by shared and socially constructed meaning and knowledge. This position is best associated in the literature with social constructivism or interpretivism (Blaikie, 2003 p17). Social constructivism stresses the relevance of culture and context in understanding how society organises itself, and constructing knowledge based on this understanding (Derry, 1999; McMahon, 1997). This perspective is closely linked to the theories of Vygotsky (Daniels, 2005) and Bruner (1960), and to Bandura's social cognitive theory (Bandura, 1977). This basis for the research lends itself to a more qualitative method, and as the research question does not attempt to enumerate or quantify the incidences of a phenomenon, rather, it attempts to understand how features of a system occur and influence other systems in turn, and research methods to investigate how shared experiences and values constructed these systems would be required. Similarly, 'interpretivism' indicates those strategies in sociology which interpret the meanings and actions of actors according to their own subjective frame of reference (Williams, 2000 p210).

It became clear in the very early stages of the research that a statistical or other form of quantitative study would have been unsuitable to address the research question posed. Given the complexity of the processes under investigation, quantitative data would be unlikely to provide the depth of information required to demonstrate how the programmes in question were structured, and would also have been unlikely to provide scope for unknown factors to emerge (Hardy & Bryman, 2004 p8). The perceptions of participants would be crucial to understanding the phenomenon being studied, and a quantitative study would have been difficult to develop to capture these perceptions. Due to potential difficulties in designing questions to capture the right data, the volume of questions that

would have been required, and the range of different 'types' of participant, it is difficult to envisage how a quantitative study of this size would have been able to uncover the influences of institutional values and history upon the structuring of programmes without significant margins for error that would render the study invalid.

A second consideration in choosing between qualitative and quantitative approaches was the sample size available. The small pool of project partnerships receiving this funding at the time of this study was so shallow as to invalidate any attempt to use survey or similar methods, as the limitations in sample size would have likely invalidated any conclusions from a statistical analysis (Black, 1999). In order to gather meaningful evidence to answer the research question, the stories of participants would also need to be traced back several years in some instances against the context of significant political change, and participants would originate from a range of organisations with a wide variety of different experiences. A quantitative tool such as a survey or questionnaire would be unlikely to capture the contextual differences in participant experience, and the questionnaires would need to be sufficiently different for each participant 'type' to ensure relevant information was captured. In addition to this, the choice of using a network analysis approach would provide a broad contextual structure in which the study would sit, enabling multiple linkages, as considered by structural embeddedness theory, to emerge.

A qualitative study would be more likely to provide the rich data necessary to address these points, as qualitative methods provide greater flexibility in participant experience (Creswell, 2007), enabling the capture of descriptions as articulated by the participant in their own vernacular (Creswell, 2007), to pursue themes that a participant does not ascribe importance to but which may be of significance to the study (Denzin & Lincoln, 2005), and taking in contextual information that may be relevant to the research question (Creswell, 2007). In the early stages of the research, consideration was given to the use of different

approaches, such as a phenomenological approach, as well as a case study method, to address the research question.

### 5.3

#### Why Use a Case Study?

The complexity of applying the research question to the proposed environment became clear very early in the planning process for this study. The overlapping institutional and network environments meant that other methods such as phenomenology were considered and discounted due to the risk of the study cleaving in two, or failing to acquire sufficient meaningful data. According to Yin, a leading author on case study research, 'the distinctive need for case studies arises out of the desire to understand complex social phenomena' (Yin, 2009 p4) and allows researchers to retain the meaning and value attributed to events by participants, in order to better understand how a system works. Similarly, Stake (1995) stated that 'a case study is the study of the particularity and complexity of a single case, coming to understand its activity within important circumstances' (Stake, 1995 pxi). The complexity of a single case was therefore judged to be sufficient to investigate how theory can be applied to a system that has not been provided much attention in the literature.

A case study method enabled the focus to be directed upon one partnership and to explore the vertical process of ESF funding from the EC right through the Welsh Government and its departments, and down to the grass roots organisations in service delivery roles. This encompassed both the institutional and network aspects, and provided scope to use a variety of resources. A case study approach consisted of one 'experiment' which would be used to illustrate how two levels of theory interact to produce a funding channel, and this would have the potential for further development in the future. This method also allowed for an in-depth investigation into a phenomenon that will not occur again in this particular

context after the closure of the programme in 2013, making the case quite unique. Case studies that exist within the literature demonstrate comparable complexity to this case, e.g. Le Gales (2001), Mikkelsen (2006), and as such, it was clear that the case study would be a legitimate method for investigating the research questions. Recent examples that bear similarities to this study include a case study method used by Le Gales (2001) in investigating French urban policy networks and the political influence upon them, and also by Mikkelsen (2006) to demonstrate how individual organisations utilise policy networks to their advantage. Both of these studies acknowledge the wider political environment in which the network operates, and identify the institutional themes that have influence over activity within the network.

A variety of media were available for this study, both within the public domain or secured via request under the Freedom of Information Act 2000, which would provide documentary evidence to complement interview or observational activities to answer the question. A case study method is able to encompass evidence from a variety of sources in order to explore a research question and allows for triangulation of data to enhance validity (Creswell, 2007). In this case it was envisaged that copies of annual accounts, annual reports, project design documents and other materials would provide a balanced evidence base that would reinforce or question assertions made during interview or observation.

The type of case study to conduct was also a key consideration for this research, and there occurred initial difficulty in defining the study as either cross-sectional or longitudinal. From one perspective, this study would view the case in a very detailed and descriptive manner and focus on a snapshot of the events that had taken place. This would suggest a cross-sectional study (Mills *et al*, 2009). A different perspective on the case is, however, possible. Given the nature of the case as a process rather than a single occurrence, with information

collected about a series of events taking place over a period of two years, the study could be argued to be more longitudinal in nature.

Upon reflection, this research was most suited to a cross-sectional approach, as the research questions formulated focused more upon a specific period of time and a specific, time-limited process. Whilst the process occurred over a period of time, the purpose of this research was not to understand how the passage of time affected certain events, rather, it was to understand how past actions had influenced the observed outcomes. Additionally, the research was conducted over three years, with data collection taking only one year, and with very few participants being revisited. Such time-constraints would be unlikely to allow for a valid longitudinal study of this process as described by Mills *et al* (2009).

### **5.3.1 Potential Drawbacks**

The potential drawbacks associated with the case study method of research have been widely debated in the academic field. An illustrative paper by Miles (1976) provides an articulate and cautionary tale concerning the pitfalls of approaching and carrying out qualitative case study research. Miles points to an inability to meaningfully generalise findings across his 6 cases as one of the failings of the case study method. He does not consider, however, multiple case studies and 'generalizability' to be absolutely necessary to produce valid results. In science, facts are rarely based on single experiments. Rather, they are based upon multiple repetitions of experiments by various researchers. It is therefore possible to look at a case study as a single experiment, and to assume that case studies have the potential to contribute to theoretical propositions and not to a population (Yin, 2009). The existing literature on institutions, networks and partnership will be used in this study, alongside the findings, to aid in forming conclusions that can be used to evidence and to challenge established theory. Concerning the use of case studies in public policy,



Heclo (1972) discussed concerns that this method did not appear historically to contribute to empirical theory, and cited the importance of a relevant theoretical position to improve the likelihood of a case study being more than an interesting narrative.

A common difficulty observed among researchers, in particular inexperienced researchers, is the issue of selecting a 'bounded' case, and defining the case in terms of time, participants, and other related variables (Creswell, 2007). A positive feature of this specific study and the research question to be addressed is that it provides a useful linear parameter for the research, viewing the processing of ESF funds vertically from the institutional development to the network implementation phase in the form of a project partnership, reducing the difficulties involved in identifying the case boundaries. The network environment aspect of the case was not so easily 'bounded' as the institutional one, however the study considers the network to include those organisations that had expressed an interest in becoming an ESF project partner in order to limit the potential field.

Based upon the considerations in this section, a case study method was considered to be the most appropriate method for exploring the research question, and for producing meaningful results. Whilst there are criticisms levelled at the validity or generalizability of case studies, the fact that this study examines institutional and network theory would ensure that it produces valid conclusions that go beyond narrative in exploring how funding is distributed.

#### **5.4**

#### **Selecting a Sample**

In looking at the institutional and bureaucratic dimensions of the development of the programmes, the process of agreeing the programmes between Brussels and Cardiff was

firstly mapped out to detect which teams and which departments had involvement in creating the frameworks. Based on this work, preliminary contact was made with each area to investigate which individuals had the most involvement and knowledge of the process at different levels, and access was negotiated at this point. Further individuals that were very involved outside of the vertical process were also identified through their roles on relevant committees and through their names arising on official documentation secured through the Freedom of Information Act 2000. In addition to this, snowball sampling was employed, in which participants were asked to identify other individuals they thought may have relevant experience of the funds. The limited number of relevant individuals involved in the development process meant that at least one individual at each level, from those agreeing the programmes in the EC to those implementing the programmes in Wales, was able to be interviewed.

Whilst it was relatively simple to identify the relevant public institutions and departments involved in the structuring of the programmes, an investigation of a project partnership would be required to fully understand how the programme structures influenced the composition of partnerships. At the time of this study, the limited pool of potential project partnerships to observe within the ESF context in Wales meant that only a small number of partnerships were suitable for consideration. A number of these partnerships were however, either pre-existing in one form or another prior to the inception of the 2007-2013 programmes, or the partnerships were 'lead partner only' which were single organisations planning on subcontracting all activity, and therefore not consisting of a meaningful partnership. It would be unlikely that the composition of pre-existing partnerships would have been affected by the changes in ESF funds for 2007-2013 to the extent of them having clear relevance to this study. Even if these partnerships had changed their composition in relation to the new funding programmes, it would represent a different experience to a newly formed project partnership, and would have significantly more project-specific

historical and political factors influencing the change rather than the new funding structures alone. With regard to procurement based projects, these would not provide an insight into the partner selection element at all, however the number and size of these projects were monitored and contributed to a comparative aspect of the analysis of this study in demonstrating how funds have been distributed through procurement exercises rather than through project applications.

As discussed previously, the field of study was small in scale and there existed within the network some overlap in individual interests with regard to staff turnover and committee membership. Given the practitioner experience the researcher possessed in the field of study, several potential research participants were known to the researcher. As such, care was taken in the choice of participants to avoid partnerships where the researcher had pre-existing relationships with the organisation or its leading staff.

The delays in the opening of the 2007-2013 programmes for application and the complexity of the process meant that projects took a considerable amount of time to develop and secure funds. Only two projects were approved in 2007, and only 17 were approved in 2008. Few projects emerged with a cross-sectoral partnership, and even by 2012, only a total of 5 projects included partners from more than one sector.

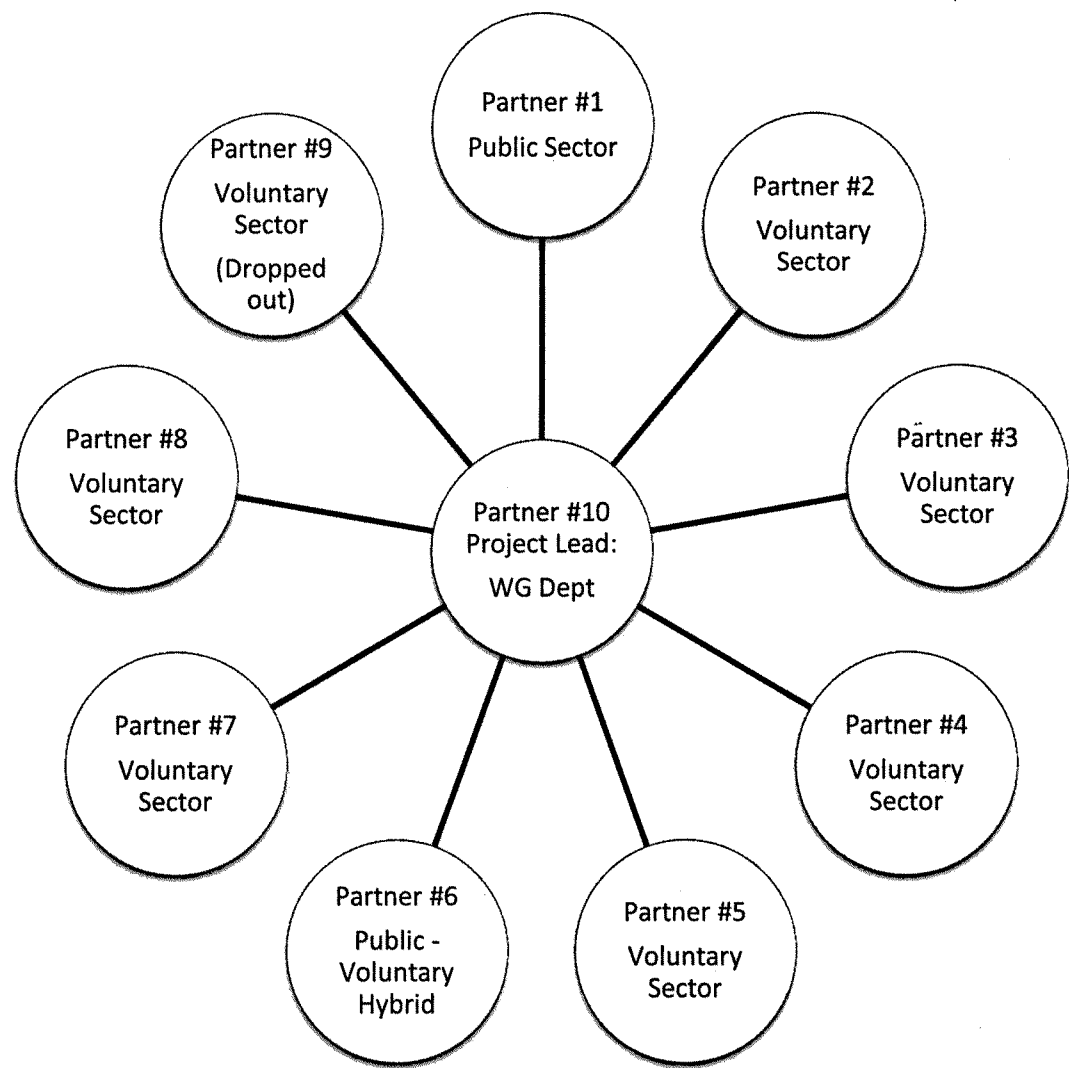
The project partnership eventually selected for this study was among the first projects to be announced as receiving ESF funding in early 2009. The lead partner, a Welsh Government department, began consulting widely with the voluntary sector in 2007 and confirmed the partnership membership in mid-2008. Elements of this process were highly visible to the wider civil society network as application for partnership was widely invited by the Welsh Government, and from a large pool of over 50 potential partners, a mix of nine voluntary and statutory sector organisations were selected to become partners (with the Welsh

Government Department acting as the tenth and final partner). One of these organisations dropped out during the very final stages of securing project funding from WEFO, but has been included in this study as a confirmed project partner as it is the project development and selection process that is of greatest interest to this study.

Some of the confirmed partner organisations could be considered to be almost statutory in nature given the core support provided to them from statutory sources such as the Welsh Government or from local authority sources, however others had a balance of funding and seemingly more autonomy from the state. This was a 'flag-ship' project when it was launched by the Welsh Government and as such would be worthy of study not only to explore how the project partnership formed and how the programme structures and network relationships affected this, but to provide a baseline knowledge for future study into how the Welsh Government itself interacts with and inadvertently shapes the wider civil society network through its funding programmes, ESF and otherwise.

The partnership selected was prominent in the 19-strong pool of potential projects at the time the research was carried out due to its composition of statutory, voluntary and hybrid partners. It was also judged by these characteristics to be representative of the type of collaborative partnership that the EC, in its ESF regulations and guidance, had indicated it wanted to see tackling complex social and economic disadvantage. As this was potentially a project partnership that would provide an ideal model for replication given its size and diversity, this partnership was chosen for this study. Figure 5.1 illustrates the project partnership.

**Figure 5.1      *The Case Study Partnership***



Interviews were carried out with one or two relevant individuals at each partner organisation, dependent upon the size of the organisation and the involvement of multiple representatives in the project process. These individuals were predominantly a chief executive and either a trustee or a funds manager. Interviews were also carried out with the civil servants that developed and managed both the programmes and the project. These were predominantly within the Welsh Government, however two participants were sought from the EC to gain a European perspective on the aims and regulations attached to the funds.

In order to gain a rounded view of the network processes, interviews were carried out with a small sample of organisations that were unsuccessful in gaining membership in the partnership<sup>14</sup>, and also with key voluntary sector individuals with a good knowledge and overview of ESF funds in Wales. Of the significant number of unsuccessful organisations, eight were selected to participate in this study, and this consisted of three purely voluntary sector organisations from each Welsh 'region' (North, South, & Mid-West) and two smaller statutory organisations. This was approximately 10% of unsuccessful organisations, however, being mindful of the scope and overall focus of the study, a small sample was judged to be sufficient to produce balanced opinions on fairness and selection in the process.

In total, 35 interviews were carried out for this study, and in addition, annual accounts, reports, programme documentation and project documentation were gathered and analysed. Further details of participants can be found in Appendix 4.

## **5.5 Interviewing**

Within this case study, interviewing played a significant role in data capture, and Yin (2009, pp102) notes that the benefits of interviewing include the ability to specifically target data collection around the areas of relevance, and the level of insight that interviews can provide, bringing to the fore the perceptions of those involved and their assessment of links and causes. As noted earlier in this chapter, the potential for greater depth of understanding arising out of the use of qualitative methods, such as interviewing, was a key factor in both choosing a qualitative method, and choosing a case study structure. The format of interviews can range from the very structured in which questions are predetermined, ordered and standardised, to the completely unstructured, in which the

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<sup>14</sup> Identified following a review of all applications to the project managing department for the project, releases under the Freedom of Information Act 2000

issues of interest are allowed to emerge organically through a conversation. In this case, it was judged that highly structured interviews would create the same restrictions on the quality of data as a quantitative study would have created. However, at the other end of the spectrum, carrying out a programme of unstructured interviews would be both time-consuming and potentially redundant if the issues that were the focus of the study did not emerge organically. It was decided that the most effective course of action would be to pursue a semi-structured approach, in which a range of topics and key questions would be developed for use, with these being subject to change or for the interviewer to be able to pursue points of interest further where they arose. In this way, the interviewer would be able to draw out further information, guiding the conversation whilst not stifling the participant.

All methods have strengths and weaknesses, and Yin (2009) discussed several perceived weaknesses of interviewing as a data capture technique. He warned against bias arising out of poorly articulated questions, the potential for respondents to provide inaccurate answers due to poor recall of events, and reflexivity resulting in the participants presenting events in a way they believe the interviewer wants. In order to reduce the risks of these weaknesses emerging, significant consideration was given to the questions to be asked, and informal consultation on them was conducted with colleagues to check their clarity. Reflexivity was reduced by giving an idea of what the interviews would be about prior to conducting them, and through raising this with respondents prior to collecting information. It was explained that participants may sometimes feel that they are being asked the same question or circling back to issues because they aren't giving the 'right' answers. It was made clear that this was not the case, and no 'right' answers existed. It was stated that returning to themes or accounts was necessary to confirm details or to gain a better understanding, and that as long as answers were genuine, anything said would be extremely useful to the study. The issue of inaccuracy was considered, and whilst this was

reduced given the short time period between the actions taken and the interviews, triangulation was used to corroborate details in participant accounts wherever possible. There also existed the issue that the longitudinal nature of the process under investigation would produce differing views than those held initially by participants, as such individuals may have changed their views over the course of the process. Questions were included to uncover any differences in feelings or views on the funding process that occurred.

The discussion of power and of the work of Lukes (1974) within Chapter Two of this thesis raised the possibility of some very powerful agents shaping global business and political structures to dictate how individuals think about and approach their environment. Clegg (1989) made the very valid point that Lukes' approach, taken very rigidly, would potentially render data collected from individuals subject to this form of power as useless. These participants would arguably, according to Lukes's philosophy, be providing answers based on values and desires impressed upon them without their explicit knowledge or understanding, and as such any data drawn from them could be fundamentally flawed. Clegg, discussing the implications of Lukes' argument, states:

*'From this perspective it may be said that people do not know their own minds.*

*It is precisely the belief that they falsely think that they do which is the locus of the problem of hegemony.'* (1989, p3)

This exploration of individual's intentions and reasons for their actions as a form of analysing power is therefore problematic for the researcher. It is possible that there is an ultimate inability to ever be able to know what individuals think about things without the data, in theory, being clouded by a more powerful influence. It was not possible to approach this study with such definite assumptions, however it was beneficial to have an awareness of this concept of 'false consciousness' that participants may be operating in.



Based on these potential difficulties with the interviewing process, participant perception of the interview and its aims was managed, and it was imperative to adopt a neutral and non-judgemental approach to asking questions. Becker (1998, pp58-60) recommended the use of 'how' questions, rather than 'why' questions, as he argued that participants would be more likely to become defensive if asked a 'why' question, and this recommendation was actively followed within this study. In order to reduce potential defensive stances, the participants were informed of the general purpose of the research, and that it was being approached neutrally. However, the possibility of participants wanting to present a certain image of themselves and their organisation contrary to reality would be a continuing concern.

## **5.6 Elite Interviewing**

There arose from the literature a need to consider the implications and characteristics of gathering data from the elite individual in order to conduct a successful interview. Several individuals key to the process of developing the funding streams, implementing the programmes and developing the case study partnership could be classed as 'elite' individuals within the Welsh network, the Welsh Government or the EC, or as 'inter-organisational leaders' within the given inter-organisational network. There are several key considerations when interviewing elite individuals that needed to be accommodated prior to collecting, during and in analysing the data received, and these will be described in this section. It is important to specify here, that the term 'elite' is not used here to describe individuals who may form what is considered a 'power elite' in some other scholarly studies (Wright-Mills, 1956) for example, CEO's of international companies, heads of state, oligarchs, and the like. Rather, the term elite in this discussion will refer to individuals in those positions cited above, such as politicians, senior civil servants, chief executives and committee chairs.

The term 'elite' was used but not explicitly characterised by Dexter (1970) despite his contribution to the concept of elite interviewing. Indeed, Dexter, in questioning what is meant by 'elite' refers back to Riesman's (1964, p528) definition that merely suggest that elite status is something attached to those requiring 'VIP treatment on topics that relate to their importance or exposure' in an interviewing situation. This lack of a clear definition, and failure to describe what identifies an individual as a member of an elite, has been a criticism of Dexter's work (Richards, 1996). Harvey, in his paper on methodological strategies for interviewing elites (2009) argues that:

*'An individual's position within a company . . . is not exclusively an indicator of elite status because certain actors are deemed elite members because they hold strategic positions within a social network and therefore act as important connectors and bridges between social structures.'* (2009, p4)

This argument is applied to the network and the individuals therein for the purposes of this study, as this study involved engaging with actors that occupy several key positions, and therefore are important links between organisations, as well as 'elite' individuals within the organisations in which they are employed. Harvey (2009, p4) goes on to identify other relevant factors in determining what affects 'elite' status, and points to the relevance of place and time in this assessment. He argues that elite status can be embedded within space and time, explaining:

*'A person . . . might be considered to qualify as an elite member in one particular region but not in another. In addition, this group are by no means spread evenly across geographical space, and elite status is not static since individuals can gain or lose their status over time.'* (2009, p4)

These arguments provide some justification for using the term to refer to the supposed 'elite' individuals within this study, but contributes to the arguments of Smith (2005) who debates the variations in the usage of the term, and therefore the usefulness of the term at all. For the sake of clarity, within this thesis, the term 'elite' is used to describe individuals who hold key positions of power or influence within Wales, the UK and Europe and within the phenomenon being studied.

Dexter (2006) a pioneer of 'elite interviewing' detailed useful guidance in the practicalities of dealing with elites. Harvey (2009) discusses the specific implications for junior researchers when interviewing elites, and suggests five core areas that require consideration in this activity. These five considerations are however, quite applicable to interviewing in general, and therefore provided a good basis for pursuing the right information. He recommended firstly being both organised in making and maintaining contact with elite individuals and their staff, and secondly to be flexible to the individual's needs. Harvey maintains that elite individuals may try to dictate the conditions of interviews, such as timing and location, and that these factors may affect the type of information the individual is willing to disclose. He argues that it may be more beneficial to meet elite individuals outside their workplaces to reduce distraction and to provide opportunity to disclose professionally sensitive information. This may be appropriate in certain research circumstances, however the choice of venue within this study was given to each individual participant for their convenience, as it was unlikely that extremely sensitive organisational data would be imparted in the course of the interview. Specifically requesting an interview external to the working premises of an individual could call into question the motive behind the research and prove counter-productive to a study where the general research aims can be disclosed to participants.

Harvey's (2009) third point is to ensure transparency in communications with elites, arguing in line with Dexter (2006) that this instils trust and comes 'to the point of the matter' quickly. Both Dexter (2006) and Harvey (2009) note the likelihood of elite individuals to ask how long interviews will take, and that this group may challenge the purpose or usefulness of the project. A clear rationale for conducting the research communicated succinctly could serve to reduce debate on this matter, and a short rational of the study and its goals was provided to each participant at the point of requesting access. Fourth, Harvey (2009) recommends maintaining good etiquette to ensure professional standards, and fifth, advises to persevere with rejections and after uncomfortable interviews.

Whilst this provides a useful baseline for basic protocol, these basic points lacks the more detailed attention to interactions prior to, and within, the actual interview. The process of gaining access to elite individuals for this study could have presented obstacles such as refusal to meet, access only via gatekeepers or non-response, among other things. Elites will frequently have Personal Assistants or similar individual's charged with managing their diaries and screening individuals requesting their time. Peabody *et al* (1990) stress that the role of these individuals is to protect the interests of their organisation, and researchers should not be put off by the necessity to negotiate access with them. Harvey (2009) notes that gatekeepers may be able to negotiate access with multiple relevant participants, and Dexter (2006) goes further than this by suggesting that access can be arranged as a result of the participant making a recommendation to their contacts, providing the researcher has conducted themselves professionally.

Whilst these points were taken into account during the negotiation of access, there were only two individuals who declined to participate but were considered of limited relevance to this study. For the purposes of this study, it was expected and it transpired that some individuals were known to the researcher as a result of a previous professional

acquaintance, and that this increased the likelihood of acknowledgement and co-operation. Where gatekeepers were in place, it was considered appropriate to discuss the possibility of the interview and the research itself with the gatekeeper first, to enable them to positively suggest it to the relevant individual.

## **5.7**

### **Access and Interview Conduct**

The negotiation of access and the response provided by participants to any questions may also have been affected by a slightly different approach of what has been referred to as the 'insider/'outsider' concept, where the researcher may already be 'inside' or 'outside' circles in which the participants exist. It should be noted here that this discussion differs from the earlier discussion of Grant's (2004) 'insiders' within the Literature Review Chapter in terms of its focus upon the researcher's position in the study in terms of gaining access, rather than the status of participants of the research. This was a relevant consideration for this study as a result of the researcher's familiarity and professional history in the Welsh voluntary sector. Harvey (2009) discussed the fact that 'insiders' could be considered to have an advantage in gaining access due to a shared sense of belonging to the participants, but that 'outsiders' could potentially collect more objective data and critically assess it. It is likely in these terms, that the researcher would be considered an 'insider' in terms of gaining access to individuals at a certain level, mostly within the Welsh voluntary network, but viewed as an 'outsider' when gaining access to the wider professional participants outside of the voluntary sector network, such as those within the Welsh Government and its departments, politicians and aides within the National Assembly for Wales, and those participants working for the EC. This dual status required the researcher to be mindful of possible assumptions made about them by certain participants in terms of their professional history within the sector, and their previous affiliation to certain organisations and individuals. More importantly, this factor was a consideration in the execution of the

study to be aware of any possible personal bias and to mitigate against the risk of that bleeding into the approach to the research being carried out. The interviewing and analysis stages of the research in particular needed to be carried out with particular care to avoid using leading questions.

Another dimension of the insider/outsider concept that could have affected the data gathered relates equally to the core identity of the researcher and the research participant, and how that is perceived by the other. Ethnic identity may play a subtle part in the interview interactions such as an individual making assumptions about the other and tailoring their answers accordingly (McEvoy, 2006). Whilst in McEvoy's case this was discussed in relation to carrying out research in Northern Ireland, it was a phenomenon to be mindful of in any interview situation. In particular, these considerations were considered relevant to the Welsh environment where there exist deep cultural divisions between Welsh speaking and non-Welsh speaking individuals, and a divide between the north and south of the Welsh nation (Rawlings, 2003). Participant perception of the researcher may also have been a factor where interviews were carried out with individuals of non-British nationality within the EC, where it is also possible cultural generalisations may have influenced opinion.

Within an interview situation, the participant should feel a level of comfort about the process in which they are in, and it is important for a researcher to ensure relations are polite and relaxed to achieve a certain level of trust. Harvey (2009) noted that it is important to develop a rapport with subjects from the first contact, and that this can be greatly improved by carrying out preliminary research into each subject to enable conversation and to have a better consideration for the participants needs. Certainly, within this research project, a certain level of research into potential participants was carried out as a matter of course prior to invitations being sent, and this provided good groundwork to develop rapport with all of the participants, elite and non-elite alike.

McDowell (1998) raised the possibility of presenting oneself differently according to the individual being interviewed. She points to a tendency to 'play dumb' with older male elites as this allowed them to take on a patriarchal role, whereas with women of a similar age to herself, she would adopt a more 'sisterly' approach to achieve their confidence. McEvoy (2006) also points to a clear 'power dynamic' obvious during the interviewing stages of her studies, where she was conscious of being a young female carrying out research in the 'male space' of politics. Her experiences go some way to support the strategies of McDowell (1998), as she cites occasions during interviews when participants provided answers to her questions in a similar fashion that they would explain it to their daughters, and referred to her as 'love' or 'dear'. McEvoy (2006) found this patronising and irritating, and had to account for her negative feelings when analysing the data, so as not to bias any findings. This kind of treatment was not generally experienced within this research, however there were occasions when participants would seek to simplify or gloss over concepts they appeared to consider were too complex or lengthy to fully explain, and in these instances, significant enthusiasm on the part of the researcher was required to encourage full explanations or disclosures.

The format of the questions directed at participants for this study was an important consideration in terms of gathering the quality of evidence required. Harvey (2009, pp12) states that subjects prefer not to be asked closed ended questions, and this is a positive assertion for the purposes of this qualitative study, which requires rich data most likely to be derived from using open-ended questions. Berry (2002) highlights the possibility of elite individuals in particular 'often or advertently not answering the questions asked of them'. In this case, he advised that continuing and backtracking to pose the question differently may be more beneficial than asking it again in a direct fashion, and this strategy was required during a number of the interviews conducted.

Because the interviews were split between those conducted with the case study partners and those that were involved in the development and structuring of the programmes, different questions and conversational steers were used to focus in on the areas of interest with different participants. When interviewing those individuals developing the programmes, examples of questions asked<sup>15</sup> to stimulate the conversation include:

- Could you give me an idea of how the 2007-13 programmes were developed?  
Which organisations/departments/individuals were involved?
- How long was the process? Were there delays? What caused those delays? How were they resolved?
- Which policies/frameworks did you need to apply/work within when structuring the programmes? Did any of these constrict what you were trying to do?
- What were you trying to achieve by changing the programmes from 2000-06?
- What impact upon the voluntary sector do you think the new programmes will have?

Typically, the following questions were used in interviews to prompt conversation with key members of the partnership:

- Could you tell me from your perspective how you came to become part of the partnership, from when you first heard about it to when your bid was approved?
- What kind of involvement have you had with the Welsh Government in the past?
- Have you received funding, been on a steering group or been involved in lobbying with the Welsh Government?

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<sup>15</sup> See Appendix 2 for full interview schedule



- Which individuals were you most in contact with when the bid was being developed? What kind of relationship do you have with them now that the bid has been agreed?
- How did the Welsh Government decide who was going to be a partner? Why do you think your organisation was selected over organisations that have similar aims or expertise?
- How involved are you in the Welsh voluntary sector environment? Do you have links with other organisations or work together with other organisations?
- How do you feel about the demands and processes involved in the application/formation process? How did you interpret the ESF requirements? Did you have any support to do that?

In the later stages of the interviewing process, a small number of questions were asked concerning points raised by other respondents in order to triangulate the evidence collected (Flick, 2009). Examples include:

- It's my understanding that the programmes were heavily influenced by civil servants in the EC. Was that your experience?
- I have read that all of the partners have Welsh Government funding in common, received prior to the partnership project, was that a consideration in selecting them?
- I read in the guidance that projects are supposed to procure instead of have a very large partnership, is that the plan with this project?

Through using these types of questions, a range of information was provided, and key themes were pursued to confirm details or to peel back layers of administrative ritual to understand the underlying reasons for certain actions.

The nature of these interviews prompted the use of a digital recorder, to ensure that all information was gathered in the participants own words, and to reduce the need for the researcher to make continuous notes on only the spoken information emerging. The use of such a device allowed the researcher to engage more fully with the participant and to collect non-verbal information such as changes in body language, hesitation and facial expressions. Berry (2002) noted that during careful observation of one interviewee, he was struck by the individuals' tendency to lower their voice when they were criticizing their own organisation. He commented that this was 'seductive' in leading him to believe that he was being told something confidential due to the interviewee going 'out of his way' to tow the party line. The recorder also allowed a full transcript to be produced of each interview, making the maximum volume of information available for coding and analysis.

The responses gathered from individuals would inevitably vary, and would display differences in opinion, passion and logic, however Berry (2002) warns of the pitfall of the persuasive participant. He states:

*'There is a very high risk of finding one interviewee more persuasive than the others and having that one interview strongly shape our understanding of the issue.'* (2002, p680)

This was a significant potential pitfall, and certain participants were extremely convincing in their convictions on the programme and articulated their arguments with an air of superiority. Berry (2002) goes on to explain that the participants will have consciously or not, thought about what they would like to say in the interview, and will likely attempt to justify their actions or opinions. Further to this, he warns of simple exaggeration by respondents, and advises the researcher to consider what is being left out of the opinion or account to allow for the exaggeration.

Further to the above considerations by Berry (2002) there is not a good deal of literature concerning elite interviewing that deals directly with getting past the official 'party position' when interviewing politicians, and these individuals would require additional attention during interviews to unravel genuine opinion from the 'official line' (McEvoy, 2006). The background of this study makes reference to the Welsh power-sharing government, with Labour and Plaid Cymru operating as a coalition at the time of the research. Politicians were included in the sample where they were considered to have had relevant influence or knowledge on the programmes in Wales. A consideration in these interviews was the party affiliation of these individuals and whether the information collected would suffer from party bias. McEvoy (2006) warns:

*'The researcher should also take into account politicians' competing narratives and consider how recent political developments may cloud their interpretations of past events.'* (2006, p189)

This is a useful perspective to use when analysing data from all participants, and this influenced the preliminary pre-interview research on each individual and organisation to ensure full preparation was carried out and a reasonable awareness of current issues affecting these participants was developed.

## **5.8**

### **Use of Documentary Evidence**

The merits of the case study method include the ability to utilise a wide range of information in order to build a comprehensive picture of the phenomenon. Whilst the bulk of information would most certainly be gathered in the form of interviews, the variety of other relevant information on the project partners and relevant organisations added a valuable second dimension to the study.

This study utilised publicly available information on the partners and other relevant organisations to ensure a clear picture of each partner was formed based not only on qualitative evidence and opinion, but also on financial and historical facts. This information took the form of annual reports, financial accounts, items on official websites, and documents such as the project plans and copies of emails sent by the individuals working on forming the partnership. The Freedom of Information Act 2000 was instrumental in securing a wide range of documents from statutory sources concerning the formation process of this partnership and the development of the programmes, and the information secured under this legislation included emails, internal briefings, reports and draft project documents. The Charity Commission's website also proved a useful resource in accessing the audited accounts for both the members of the partnership and the organisations that were unsuccessful, enabling the main sources of funding for participant organisations to be identified.

## **5.9**

### **Approach to Analysis**

It has been acknowledged by authors in the subject (Stake, 1995; Yin, 2009) that the method of analysis in case study research is not formulaic or standardised, and therefore this can produce a challenge to pull together in a coherent form. In the planning stage of this research, the decision was made to carry out a system of coding in the first instance in order to identify broad themes, coding further to produce smaller sub-themes and categories that would link to demonstrate how the process operates in reality. A code has been described as 'a word or short phrase that symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute for a portion of language-based or visual data' (Saldana, 2009 p3), and this definition of a code is one that was implemented in the three coding cycles carried out for this research. An example of a code taken from this study is as follows:

<sup>1</sup> We have had several grants in the past from various WAG teams.

<sup>1</sup> EXISTING FINANCIAL  
RELATIONSHIP

Coding in this manner produced overarching themes, with categories and several sub-categories underneath exhibiting a pattern that in the analysis stages was linked back to the institutional and network theory structuring the study.

Coding was only the first step in the analysis activity, and Miles and Huberman (1994) suggested tabulating data, creating charts and categories, noting frequencies of activities and using chronology, to rearrange the data several times in order to allow themes to emerge. The evidence collected from both interviews and other documentary sources was rearranged and regrouped several times in order to draw out key strands of interest that were influencing the process of the funds.

The initial analysis and presentation of the findings was carried out chronologically, providing an account of the phenomenon in a linear fashion. However, it proved difficult to present the analysis and findings in this way due to the recurrence of themes throughout the process and the cyclical nature of the concepts explored. This method became repetitive and cumbersome, with the narrative disjointed. The decision to approach the analysis and presentation in a thematic form proved more fruitful. Themes in this thesis were grouped based on the coding and manipulation of data, and this allowed for themes emergent in several stages of the case to be examined together, rather than repeatedly through a chronology.

The documentary evidence was vital in providing a method of triangulation both in the interviewing stage and in the analysis stage, and there were instances where the documentary evidence reinforced what had been said in interview, and others where it

disputed it. The use of evidence relating to organisations unsuccessful in acquiring membership of the partnership was also used to compare the differing experiences of those who were involved in the application process. Finally, the use of the theoretical framework for this study detailed in the Theory Chapter was implemented to explain how the process functioned, and to present a coherent picture of the complex phenomenon under the microscope. The analysis is split into two chapters, one focusing on institutional aspects and MLG, and the other focusing on the network, competitive and collaborative aspects of the case study.

## **5.10**

### **Ethical Considerations**

The study focused around government processes and a statutory and voluntary sector project partnership operating openly in the public domain. The focus of the research on the combination of factors involved in funding programme and partnership development is intended to uncover links and behaviours that are unlikely to be controversial in the public sphere, or to pose risk or distress to individuals or organisations in any way. Information was provided to participants in the form of an information sheet at the point of requesting access outlined the project, the aims, and ensured participants were informed of what they could expect from the process and how they could withdraw consent if they wished. This sheet specified the area of study as ESF programme development and partnerships, but was not explicit in explaining the theories structuring the project or in identifying the programme development and partnership formation activities as key areas of interest to avoid being overly prescriptive and to avoid participants volunteering information they thought the researcher may have wanted to hear.

All participants were of sound mind, and therefore able to understand what the interview was about, and what they had consented to. Confirmation of consent was taken at the beginning of each interview.

It was unlikely that the potential participants could have been caused distress or psychological harm by the questions asked, as all were issues that are frequently discussed in the public domain and concerned day to day experiences for the organisations involved. To ensure participants were as comfortable as possible, it was emphasised that the only information that was required was that which the participant was willing to give, and that the interview was able to stop or break at any time. All participants were made aware that interviews were voice recorded and later transcribed, and that this information may later be directly quoted or discussed in the thesis, albeit in an anonymised form. Complete anonymity could not be guaranteed due to the ability of individuals to speculate on the identities of participants from information contained in the final thesis, which participants were made aware would be a publicly available document. It is unlikely, however, that participants will wish to review the full thesis upon its completion, and a summary of the research will be provided to interested participants that does not provide the level of detail or identifiable information that is likely to be contained within the full project report. The participants were given up to 6 months to withdraw consent to participate and ask for their information to be destroyed, after which time it was possible that the information provided would be contained in a conference paper, published paper or in a final or submitted version of the thesis. No participants withdrew consent.

All interviews were conducted through the medium of English. It was considered in the planning stages of the project that several participants in this research study would not speak English as a first language. Within Wales it was expected that some individuals would speak Welsh as a first language and English as a second language. The need to interview

individuals working for the EC also meant that participants from this organisation were speaking English as a third or fourth language and thus these interviews were allocated more time and more clarification on exact words and phrases was sought during the interviews. All participants were requested to confirm their ability and willingness to engage with this study through the medium of English, and whilst all individuals were comfortable with this arrangement, the fact that a small number of individuals were unable to discuss their experiences in their first language is a fact that was taken into account during the analysis of the evidence collected.

Other ethical considerations in the planning of the study concerned the potential harm to individuals and the exercise of common courtesies. It was judged that this research may possibly reinforce or contest widely discussed themes within the sector, but it is unlikely to reinforce any negative stereotypes within society or provoke extreme reactions. The safety of the researcher was not of significant concern within this study, as no areas or premises to be visited could be considered hazardous or high risk, and basic safety precautions were taken, such as leaving details of appointments with colleagues. In order to acknowledge and express the researcher's appreciation to the participant organisations, a standard note of thanks was distributed to each participant, as well as to those who participated in initial discussions.

## **5.11**

### **Summary**

This chapter has demonstrated the rationale behind the selection of the qualitative case study method, highlighting areas of traditional criticism aimed at this method of research and the systems put in place to ensure validity and objectivity within the study. The bulk of the data collection has been shown to be through semi-structured interviews with documentary evidence as a valuable supplement, and following the data collection activity,



transcription, coding and data analysis was carried out. Whilst the analysis of the evidence in a case study has been shown to be less of an exact science than a quantitative method, this chapter has demonstrated that the methods used in this study were able to make sense of the information collected, and to validate and triangulate it. This chapter has also expressed the ethical considerations that were judged to be relevant to this course of investigation, and has detailed how any potential issues were minimised or resolved.

## **CHAPTER 6**

### **Analysing the Institutional Context**

#### **6.1**

#### **Introduction**

This first analysis chapter focuses on the institutional factors that influenced the distribution of ESF funds in Wales. It specifically examines the processes undertaken by the governing entities to structure the funding programme, and applies the theoretical framework described in Chapter Three to explain the features of the process that shaped the programme. Figure 6.1, based on the earlier Figure 3.1, illustrates how the theory in this chapter is used to explain the processes examined.

This chapter begins by demonstrating that the classic institutional model of perpetuation of norms and values was observed in this study, and that this was reinforced by a model of MLG stretching from EC level down to the structures imposed on the network. This observation provides a brief description of the deference of the sub-national actor to the supra-national actor's requirements, and shows that this deference occurred in the greater institutional goal of achieving legitimacy and reinforcing power. The discussion then progresses to consider the bureaucracy, and the values that influenced the development of the programme structures.

The analysis then considers the theme of power within the institutional context, which leads into a discussion of trusteeship that highlights the lack of transparency in the development and implementation of the funding programme.

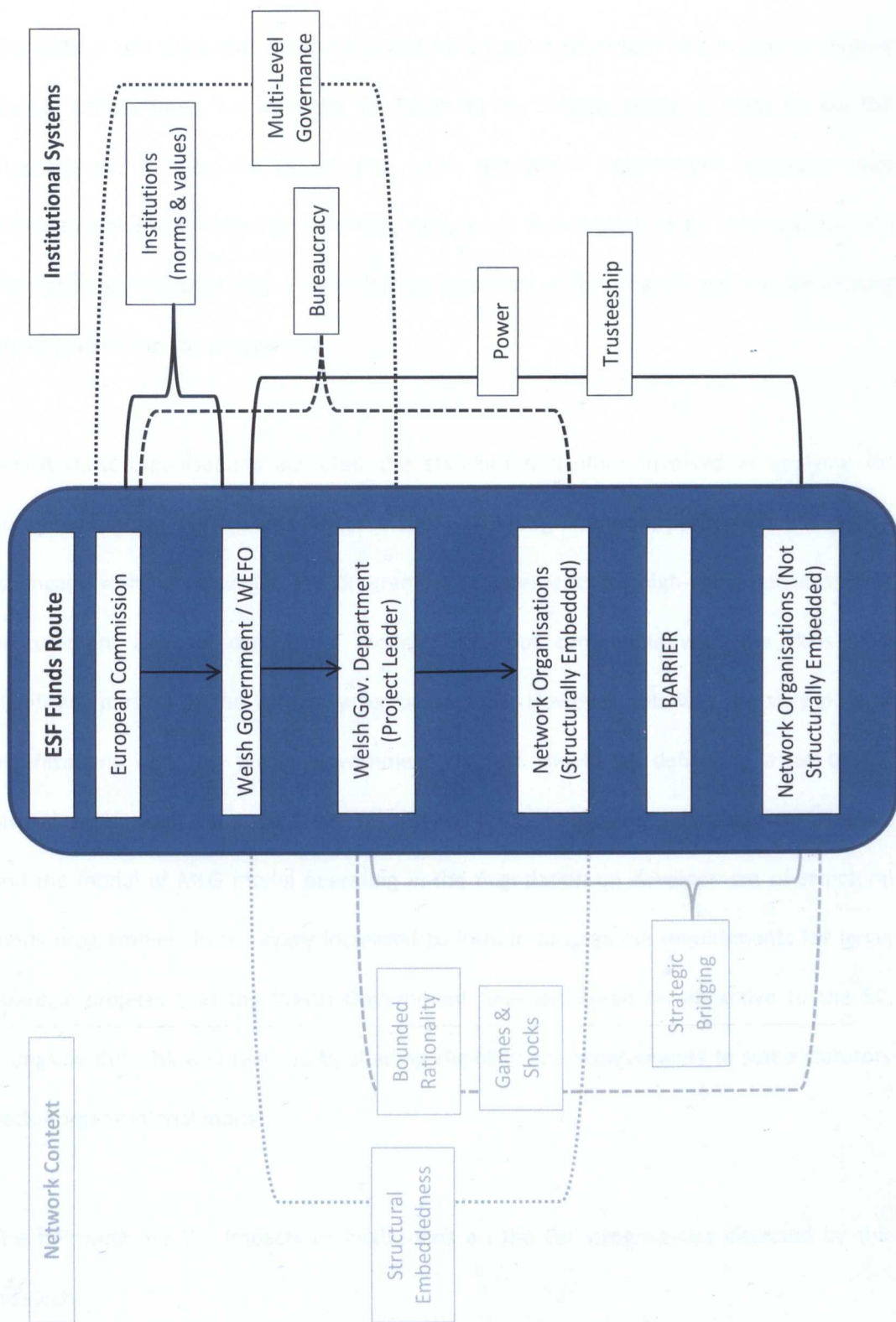
Finally, this chapter will consider the theme of structural embeddedness and will show this to be key in organisational success in engaging with this funding programme.

These discussions answer the first two key questions within this research:

1. How did institutions and power shape the structures of the Welsh ESF programmes?
2. How did the composition of the Welsh network influence the eventual success of organisations in joining ESF partnerships that would receive funds?

This discussion concludes that the institutions embedded in governing entities coupled with the power wielded by those entities served to structure the ESF programmes in Wales in such a way as to make them largely inaccessible to a large proportion of the network. MLG served to structure and institutionalise relationships and processes between Wales and Europe, and the Welsh Government's preoccupation with this resulted in the construction of funding programmes skewed towards organisations with specific expertise in engaging in highly bureaucratic and large, low-risk projects. This meant that the organisations in the network that were structurally embedded in service delivery for the governing entities would be in a better position to succeed in gaining funding than those organisations that had fewer institutionalised relationships with government departments or statutory bodies.

Figure 6.1 *Institutional systems*



This section will show that institutions and MLG had an important role to play in shaping the ESF programmes, but what did this mean for the funding decisions made for the ESF programmes? In fact, the values and norms the Welsh Government associated with developing and administering EU funding were found by this study to be incompatible with standard organisational processes within the voluntary sector network and the overarching policy aims of the ESF programme.

Whilst most organisations accepted the standard difficulties involved in applying for European funding, participants cited the 2007-2013 programmes as particularly demanding to engage with. In particular, the programme requirements for high-value partnership or procurement and sub-contracting models were not compatible with the skills of a significant portion of the voluntary sector network. However, this was the very pool of organisations that the Welsh Government claimed should be delivering a lot of ESF outcomes. Through the influence of institutions on the programme development process, and the model of MLG model operating in the negotiation on development of structural funds programmes, bureaucracy increased to include programme requirements for large, strategic projects that the Welsh Government believed would be attractive to the EC. Alongside this, risk was reduced by shaping eligibility and requirements to suit a statutory sector organisational model.

The following are the impacts of institutions on the ESF programmes detected by this research:

- Norms/values oriented towards increasing legitimacy created a high volume of bureaucracy for both the Welsh Government and fund applicants in an already bureaucratic funding stream

- Norms/values oriented towards increasing legitimacy reduced acceptable risk associated with eligible projects/organisations to the point of excluding voluntary sector organisations from direct application to the funds
- Norms/values associated with both MLG between the EC and the Welsh Government, and internal, individual, legitimacy within the Welsh Government caused significant departure from the programme timetable
- Norms/values associated with individual power provided individuals within the Welsh Government without specific ESF programme expertise the opportunity to modify aspects of the programmes

Each of these impacts could be considered subtle in isolation, however their cumulative impact was to create a programme that to a certain extent, excluded the very organisations that work with the individuals that the programmes were conceived to help.

### **6.2.1 *Norms and values***

The institutions that shaped the ESF programme structures were primarily those that concerned the Welsh Government's perception of its own power and status in relation to the EC. Values and behavioural norms that developed over time within the Welsh Government concerning EU relationships were characterised by the Welsh Government's efforts to impress the EC, in order to be assessed as a 'good' or 'impressive' administration. These institutionalised values and approaches to engaging with the EC served to confine the parameters of the programmes, and the programme development became oriented towards the Welsh Government's perception of what would please or impress the EC.

### 6.2.2 Increasing legitimacy

The reverence with which the EC was held by the Welsh Government indicated that the Welsh Government had some concerns about how it was perceived in Europe, and wished to reaffirm its legitimacy through developing programmes the EC would be impressed with. Although channels between the Welsh Government and EC had multiplied significantly since devolution, in line with the model of MLG discussed by Hooghe and Marks (2001), the Welsh Government clearly felt it needed to increase its legitimacy as a strong regional government in Europe. One participant explained:

*'Our reputation in Europe is somewhat at stake with the management of these funds. European funding is our most significant link into Europe. It wouldn't look good if we made a hash of things, and everyone at the Commission is sitting round saying 'Oh dear. Wales is obviously not up to it [managing the funds]'.'* Participant #14

Issues surrounding the legitimacy of the Welsh Government as a recipient of ESF emerged in a number of discussions with participants when looking at the relationship between the Welsh Government and the EC. As discussed in the context chapter of this thesis, the monies for the whole of the UK were historically negotiated and administered centrally by the Treasury. This structure changed as a result of the devolution settlements to Northern Ireland, Scotland and Wales, with devolved administrations becoming actively involved in the development of funding programmes, and taking on responsibility for administering the funds. Direct relationships between the Welsh Government and Brussels increased and began a process of normalisation.

The relationship between the EC and Wales could therefore be considered to be in its infancy during the negotiations for the 2007-2013 programmes in comparison to the long relationship the EC has had with Whitehall. The devolved administrations also held different status to their colleagues in Whitehall, serving as 'Regions' rather than as member states, and lacking the full ability to negotiate their own settlements. These factors were raised by participants as key weaknesses in Wales' approach to the EC and the management of the funds. All of these factors contributed to a cultural attitude within the Welsh Government that institutionalised a need to increase legitimacy in order for Wales to be taken seriously in Europe, to be seen to be doing as well as, if not better than, the UK Government, and to ensure Wales would be well-placed to receive further funds in future. One third sector individual observed:

*'WAG appear to have some, almost self-esteem issues, in dealing with Structural Funds. Its all very self-conscious and tentative, as if they are terrified someone's going to turn up, announce they don't know what they are doing, and take the funding off them.'* Participant #32

Those actors in Wales responsible for structuring the ESF programmes saw this area as a key way in which to consolidate Wales' power and legitimacy in being a management administration and beneficiary of the ESF. This could be achieved as a result of MLG. Good programmes that keenly reflected the EC's guidelines were considered by the Welsh Government to be a good way of demonstrating Welsh attention and commitment to the funds. One participant noted:

*'It's very important that we do things properly. We want to show what Wales is capable of and a big part of that is making sure everything is absolutely in line with what Europe have laid down.'* Participant #20



Programmes that were well designed and delivered would, theoretically, increase Welsh legitimacy, and this perpetuated the institutional environment in which activity was oriented towards impressing Europe. It became clear that, whilst the MLG model was in place, this was not enough to reassure the Welsh Government of their position or standing in Europe. The Welsh Government directed a lot of energy towards reinforcing and institutionalising the MLG model through pleasing those individuals it dealt with in Europe. One participant explained:

*'We mean business. We have developed excellent relationships with Europe through these programmes. And. You must understand. We must show our competence. Technically we are still new at the table, and we need to show that giving these funds to Wales to manage was absolutely the right thing to do.'* Participant #5

Several participants in this study discussed the level of importance the Welsh Government assigned to securing the ESF for the 2007-2013 programming period in comparison to other member states as one method of Wales demonstrating its competency and conformity. This demonstrated how Wales went beyond basic requirements in an attempt to increase its legitimacy. These participants cited a collective political will to gain the funding, and two participants referred to the funds as being dealt with 'at the highest level' in order to convey the importance with which Wales viewed the ESF. These efforts to demonstrate Wales' commitment, and the level of importance it attached to the ESF was not lost on the EC. One participant noted:

*'What's a bit special about the Wales PMC compared to the others it's chaired by a Member of the Assembly. In other regions it would just be the Head of the comparable department, a Director or Head of Division. In Wales the Deputy*

*First Minister himself came to the PMC to present and defend his Recovery plan which shows the attention they give to it. So I would never see it in Scotland for instance that there would be a Minister showing up at a PMC meeting.'*

*Participant #25*

This high level interest was emphasised to demonstrate clearly to the EC that Wales was not only committed to achieving the policy aims attached to the funds, but would be competent and fully compliant in its administration of the programmes. Meyer & Rowan (1977) pointed to the tendency for institutions to incorporate practices and procedures that are current and accepted as rational concepts of organisational function as a move to increase their legitimacy. Through demonstrating commitment to 'doing the programmes properly' (*Participant #20*) or in essence, managing the programmes very closely, the Welsh Government and the National Assembly for Wales (NAfW) were attempting to demonstrate their legitimate claim to receiving the funding.

Boland (2004), in his discussions on the 2000-2006 programmes in Wales, noted key similarities in the Single Programming Document for Wales and other member states, suggesting that this was as a result of Welsh administrators of the ESF trying to emulate standard practices. Interestingly, the thrust of Boland's paper outlined Wales' emulation of errors occurring in other member states and regions in the management of the ESF, suggesting that in the previous programmes, Wales' enthusiasm to legitimise its actions through incorporating accepted practices used in more established member states may actually have hindered its effective use of the funds. This emulation of processes of seemingly legitimate regions demonstrated Wales' earlier attempt to increase its legitimacy. The absorption of practices perceived by Wales to be 'correct' in the eyes of the EU is a clear example of isomorphism (DiMaggio & Powell, 1983), and if these practices had been effective, Wales' short-cut to programme development and delivery would

theoretically have increased its legitimacy. The fact that those administrative practices were later found to be flawed is perhaps an example of isomorphism gone wrong. Nevertheless, the very action of emulating accepted practice demonstrates, as suggested by Meyer and Rowan (1977), that Wales had historically attempted to increase its legitimacy through performing well in the administration of the funds.

Entwistle *et al* (2007) found that there was a popular perception within the UK and in Europe that Wales had adhered to the minutia of requirements with the funds, whereas other member states had worked the funds more to their advantage, using creative reporting and accounting methods to maximise funds going into favoured domestic policy areas. There is little literature that will corroborate the assertion that other member states did not act in complete accordance with the rules, with perhaps one exception being Laffan's (1999) paper on the evolution of the European Court of Auditors, but the paper by Entwistle *et al* (2007) does support the seemingly popular idea that Wales itself was very much working hard to be demonstrably compliant with EC requirements. This supports the assertions made in this study that the Welsh Government expended significant effort in increasing Welsh legitimacy within the EC through performing well in the administration of funds.

It was recognised by the EC as well as by organisations in Wales during the 2000-2006 programmes that projects were duplicating services and that there was a fundamental incoherence in the delivery of policy aims. As such, the Commission required a more strategic and considered approach to policy delivery. The 2000-2006 programmes were developed in a disjointed and rather hurried fashion, with the development split between the Welsh Office in Whitehall, and passed to the Welsh European Executive (WEPE – later renamed as WEFO) upon devolution. The Welsh Government, WEFO and a number of external agencies and organisations found some faults with these programmes, and the

Welsh Government and WEFO in particular wished to change the administration of the ESF for the 2007-2013 programmes. Royles (2006) highlighted a number of issues with the programmes, including difficulties in engaging the private sector and Bristow *et al* (2008) pointed to lack of human resource and expertise within Wales to fulfil the partnership principles the Welsh Government had initially committed to. Within this study, there was a recognition amongst participants that Wales needed to perform better, as the 2000-2006 programmes were not perceived as impressive enough to legitimise the Welsh administration in Europe. One participant explained:

*'The first rounds [of ESF – 2000-2006] used a very scatter-gun approach. I think it's the best that could be pulled together at the time of the programme development, but it wasn't really up to the kind of strategic standard that other regions and states have used.'* Participant #5

Another participant noted:

*'[The 2000-2006 programmes] didn't have much co-ordination. We consider them absolutely a success, but this time we wanted to be a little bit more professional and strategic about it. We wanted to show Europe exactly what we could do.'* Participant #20

These attitudes demonstrate a perception that the Welsh Government and WEFO wanted very much to improve upon their first attempt at administering the funds, and that a more successful attempt for 2007-2013 would enable the Welsh Government to gain further legitimacy in the eyes of the EC. Through providing a more comprehensive and strategic administration programme for 2007-2013, the Welsh Government and WEFO were hoping

to increase the legitimacy of the Welsh Government as an administration, and of Wales as a region and administration.

Participants in this study working in the administration of the funds discussed the need for change as having two driving forces. Firstly, the Welsh Government wished to impress the EC with much improved structures for the funds during the 2007-2013 programmes. As participant #20 noted, the Welsh Government wanted to 'show Europe exactly what we [Wales] could do'. Participants explained that the previous programmes were perceived to have lacked strategic vision, and that the Welsh Government faced difficulty in building a cohesive picture of the work and benefit of the ESF as a result. Participants also noted that monitoring was difficult, with the grass roots organisations engaging in the funds lacking the expertise and capacity themselves to comply with ESF monitoring requirements. Secondly, the Welsh Government and WEFO wished to reduce the administrative burden that came with accepting project proposals of widely varying value from individual organisations. WEFO had received in excess of 3,000 project applications during 2000-2006, and wished to significantly reduce this number for 2007-2012. One participant recalled:

'It was far too much last time. Far too much. Thousands of applications for tiny projects. We don't have the capacity to be doing all that. We wanted, maybe, ten per cent of that this time. That obviously means a big change from objective 1. Fewer, bigger projects.' *Participant #14*

The perpetuation of funding distribution norms developed in the first programming period of 2000-2006 became to be understood by the Welsh Government as unacceptable in the face of reports of the programme weaknesses and the recognition of these weaknesses by the EC. There was explicit direction from the EC to make the programmes for 2007-2013 more strategic and coherent in nature, and this instruction served to override any

commitment to existing institutionalised distribution channels that the Welsh Government and WEFO had to the established distribution structures in place for the first 2000-2006 programmes. In order to improve its legitimacy and demonstrate its co-operation, the Welsh Government therefore rejected accepted practice in order to defer to the higher authority of the EC. This deference preserved the Welsh Government's receipts from Europe and improved its stature within the Commission, coming to be known favourably therein as a nation that placed significance on its receipts from Europe and caused no delays or issues in compliance (Participant #1). This demonstrates that within an institutional environment, where the perpetuation of norms is in conflict with pressure from higher authority or in conflict with its ambitions, deference to authority and commitment to ambition would override the perpetuation of norms. This is in line with the conformity aspects of institutional theory proposed by Zucker (1983), and later, the inducement strategies of more powerful organisations, as described by Scott (1987).

### **6.2.3 *Delays and constraints***

The persistence of other institutional processes within the Welsh Government emerged as key to delays in the formal opening of the programmes to applications. Institutions, values and norms at the level of the individual worker had a significant impact upon the development of the programmes, from allowing a wide range of individuals to have input into the programmes themselves, to standard procedures delaying and constraining the agreement of the final product.

As discussed in Chapter Four of this thesis, there was a requirement for the Welsh Government / WEFO, as with any other member state receiving ESF, to construct a framework for the distribution of funds and achievement of policy aims. The overarching strategy governing this at member state level would be the Single Programming Document

or Operational Programme as it is frequently called, and this would need to be agreed with the EC prior to the commencement of fund distribution. It emerged during this research that this process of EC sign-off of this document and the frameworks structuring the operation of the programme caused significant delays in the start of the programme, and these delays in turn affected the approach statutory and voluntary organisations took to engaging with the funds. The delays observed in this case study of the strategic development stage of the programme conflict with the assertions of Hooghe & Marks (2001), who identified that MLG is at its weakest during the strategic development phase of the structural fund life-cycle. Indeed, in this study, the relationships and norms developed through the MLG model were being embraced and reinforced by the Welsh Government in the strategic development stages of the programme. It was at this point in the study that MLG was at its most significant.

It was WEFO's responsibility to draw up the Single Programming Document, and as WEFO was by this point, acting as a department of the Welsh Government rather than as an independent executive office, there were inevitably a wider range of civil servants with an interest in this process. Within the Welsh Government, as in any organisation, there exists hierarchy and a balance of power that is observed by those operating within it and provides structure to internal organisational interactions (Ibarra & Andrews, 1993). A number of participants in this study cited the internal linkages within the Welsh Government and the large pool of individuals with sufficient power to cause blockages in the passage of the Operational Programme to the EC as key in causing these delays. Participant #14 noted that it took almost a full year for the final programmes to be completely signed off by the EC, and that after this, internally within the Welsh Government there was a further delay in agreeing the strategic frameworks that translated the Single Programming Document into several thematic strands which would structure the distribution of funding in detail. This demonstrates that the rules applied to internal communications, over time solidified into

institutional norms, actually had a negative effect on the programme development timetable. What was implicit in several participants' description of this process, was the very close involvement of the EC in the development of these programmes, contrasting with the work of Hooghe & Marks (2001). Another participant explained:

*'The whole process was, well, it took a long time. You've got maybe two or three people drafting [each of] the strategic frameworks, but then rather a lot of managers that want to review them and sign them off internally before they go back to the EU, and changes and so on, so of course, it was going to take time.'* Participant #29

The large pool of managers that were required to review and agree the paperwork for the ESF programmes therefore became something of a hindrance in terms of the timely execution of the programmes. Participants were asked why such a number of managers would need to agree the frameworks, whether all of these managers were directly affected by the changes in detail in the frameworks, and several were at a loss to explain why certain managers were included in the list. Two participants claimed that 'they seem to get copied into everything as standard' (Participant #14) and so their inclusion in agreeing such documents was expected because that was the organisational norm. The institutional characteristic of perpetuating accepted norms and practices within this context demonstrates how delays occurred in the development of the programmes (Barley & Tolbert, 1997). In the requirement for each draft of the frameworks to be sent to several individuals for review and approval regardless of whether it was actually necessary, there is a clear duplication of work at a detriment to efficiency, however one participant noted:

*'They just have to be sent to people whose work it affects. If the right people aren't made aware of the plans and don't have a chance to have their say, it*



*could cause problems down the line. To be honest I'm not sure it's strictly necessary, but if people are left out then it's like a snub, like they're not important.'* Participant #29

Meyer & Rowan (1977) noted that the conformity of employees to the accepted institutionalised structure of action often conflicts clearly with efficiency criteria, and the Welsh Government exhibited these behaviours in this case through requiring a large pool of individuals to approve the programme structures at every step of the way. This would inevitably consume a significant amount of time in the development stages, however was accepted as a sign of reinforcing individual legitimacy and power within the organisation. This is a clear example of commitment to norms and values resulting in increased transaction costs.

Participants in this study explained that at the high level of the Single Programming Document, this trade-off between standard practice and efficiency could be argued to be acceptable, given the high profile and external nature of the Single Programming Document. There was much lower tolerance exhibited by participants when discussing the same issue with the delays in the sign-off of the strategic frameworks that would structure the spending of the ESF. Participants discussing this second delay cited the same reasons given earlier in this section for the delays in the approval of the Single Programming Document. As explained in more detail in Chapter Four of this thesis, the strategic frameworks were lower level instruments designed to aid bidding organisations to structure their project applications to the needs of each of the programme themes. The same issues with requirements for large numbers of managers horizontally across the organisation to approve or comment on the frameworks were experienced with these strategic frameworks, as observed earlier, with less tolerance. Two different models

emerged in looking at this activity – MLG and institutionalised hierarchy. One participant explained:

*'We had to send them to everyone for approval, even people that really knew nothing about the programmes, people in other departments, communications even! How ridiculous is that? Thing is, it's an exercise in covering our backs as much as an exercise in pandering. This way, six months down the line, no-one can come back and have a tantrum about how they weren't informed and how that's affecting their corner, 'cause that's what usually happens if someone gets missed off the list. . . There may be other consequences, maybe not disciplinary, but it wouldn't reflect well on whoever forgot to include those people.'* Participant #30

The same principle of perpetuating accepted organisational practice can again be seen here, slightly lower down the ladder, within the Welsh Government and WEFO. This could also be argued to exhibit a popular trait of bureaucracy, which could be considered here as hierarchy (Gajduschek, 2003). Civil servants involved in this process 'pandered' to their managers throughout the organisation by requiring their input into these important instruments. This reinforced the power and legitimacy of the individual managers in question, and equally protected those lower down the hierarchy from future repercussions, as the responsibility for ensuring they would not be adversely affected by the frameworks was shifted to those managers consulted, rather than resting with the individuals that were actually writing them. The immediate implications of this behaviour were clear in the delay of programme sign off, and in a wider context, in the financial difficulties of a number of voluntary and statutory organisations attempting to plan activities and organisational futures in a climate of uncertainty caused by these delays.

Within the Welsh Government and WEFO, the conformity to these accepted practices that were inefficient, but that had some mutual benefit for both individuals with some level of power and those lower down the pecking order, shows that neither efficiency nor expediency were ranked as more important by the Welsh Government than the perpetuation of the internal organisational culture. North (1990b) noted that these types of institutional rules are often inefficient, and that the cultural 'rules' within organisations are created to serve the interests of those with the bargaining power to create new rules. On a micro-level of analysis, MLG can be seen to be at work here. The EC used its dominant position to prompt the Welsh Government to develop new distribution structures, and from this point, the senior bureaucrats within the Welsh Government bound these conditions up with their own institutional structures, and filtered these requirements down through their departments by requiring multiple directors across departments to approve of the operational plans.

Participant #30's earlier comment alludes to the practice of imposing requirements horizontally across the organisation. This demonstrates an effective cascade of requirements and information distribution originating from the EC across the organisation. However, at face value, and therefore no less 'real' to those involved within the Welsh Government, this requirement for so many senior managers to be involved was seen to have grown out of previous experience of managers that were not consulted on previous pieces of work, and the consequences for those lower down the hierarchy. As a result of managers feeling slighted in the past, these individuals have secured their 'right' to involvement through exerting their hierarchical status. Lower level staff have learned to avoid 'consequences' by inviting their input. The managers appear therefore, to have used their power to create this rule, even though this rule causes inefficiency. These institutionalised behaviours therefore serve to constrain and delay the development of

programmes, and result in individuals not necessarily qualified or experienced in European programmes contributing to programme design.

A point emerging from the evidence collected that was not explicitly considered by any participant to be of significance in developing the funds was that of the need for the draft frameworks to be seen and contributed to by a very wide range of employees across the organisation. Participant #30's comment earlier concerning the need for items to go to the communications team was a good example of how precise funding instruments were subject to the thoughts and recommendations of teams whose expertise and function was in some cases significantly different to the process of programme design. The communications team would, for instance, check and amend the language of the final documents, ensure adequate translations into Welsh and apply corporate branding and formatting. This simple act of changing the language or translating may however alter the meanings or impressions given in the original text. Applying bright pictures of school children on the guidance document may give the wrong impression that schools would be eligible to apply for funds. Similarly, IT staff were engaged in the consultative and sign-off process as the programmes would be on the website, a portal for partnership was planned for use by the wider network, and an online application facility was proposed, and so considerations of how these features would operate directly affected the structuring of the application process. Evidence of individual changes and recommendations made for the programmes was not available to scrutinise how much change was made by teams outside of the main programme development unit. This lack of opportunity for scrutiny reinforces the power and legitimacy of the Welsh Government, as no negative external assessment can be made.

Participants did however indicate that these institutions were not considered in terms of their impact upon the final look and feel of the programmes. It is impossible to assess how

much these norms influenced the final programmes from the evidence gathered as part of this study. However, sufficient evidence was collected to indicate that a lot of individuals without ESF programme expertise from across the Welsh Government were involved in programme development, that they made recommendations and modifications to the programmes, and that there was no formal process to evaluate if or how their modifications altered the way the programmes were implemented or received in the network.

The range of actors involved in the development and agreement of the operational programme documents meant that the programmes developed in a very pluralistic way. The programme structures were subject to scrutiny and amendment by individuals with broad functional priorities within the institution, priorities that were not necessarily compatible with the achievement of policy goals, and this significantly influenced the composition of the final programmes.

### **6.3 The Bureaucratic Impulse**

Throughout this study bureaucracy has to one extent or another, been cited or alluded to as having impacted upon the distribution of ESF in Wales, and to be embedded within the system of resource distribution. It is not unusual for bureaucracy to become embedded into governing bodies over time through the assignation of value, and as such many state organisations are characterised by their bureaucracy (Meier, 1997). Within this study, the bureaucratic requirements of the programmes, from the design of the Single Programming Document down to the monitoring requirements following implementation, served to reinforce the MLG model in operation between Wales and the EC. At a territorial level, the bureaucratic elements of the programme enabled the Welsh Government to attempt to

reinforce its legitimacy, and for its department WEFO to assert its cultural difference from the rest of the organisation.

Meier defined bureaucracies as permanent, goal oriented systems that were in many cases capable of becoming storehouses of expertise with the ability to specialise beyond the political masters that often govern them. Meier argued for an increase in bureaucracy in the United States, citing the merits of bureaucracy to achieve effective policy goals, but stressing this could only be carried out under the right conditions. In terms of the levels of expertise held within the Welsh Government, areas of this chapter have already highlighted the Welsh Government's own perceived lack of legitimacy due to its youth and size, and this meant that as a bureaucracy, the Welsh Government did not have the 'storehouse' of knowledge and expertise in European funding distribution available to it that older bureaucracies would hold. This lack of expertise was widely commented on in the press as well as in academic literature as a result of the simultaneous processes of devolution and the Objective 1 ESF programmes for 2000-2006 (Boland 2004; Ferry *et al* 2007; Rawlings 2003; Royles 2006) and this recognition of weakness prompted the Welsh Government to improve its processes for 2007-2013 ESF. One participant noted:

*'There are some that claimed it was too open last time. Too easy. You filled in your application and you got your money. There wasn't enough thinking behind it and it showed. I suppose there was the devolution excuse last time, but this time [the Welsh Government] have to up their game to show that they do have some strategy behind handing out all this cash. Unfortunately, their solution has been to go mad with paperwork.'* Participant #3

This correlates with comments from Participant #5 quoted earlier in this chapter concerning the Welsh Government's preoccupation with improving significantly on the last

ESF programming period, and highlights that the Welsh Government/WEFO's strategies for improvement increased the bureaucracy in the funding processes. In particular, participants pointed to a three stage application process, rather than a one stage process in the previous round as having increased both the volume of paperwork necessary and the length of time it took to apply. This extended process would allow WEFO to screen for duplicate activities, direct organisations wishing to carry out similar activities to work together, and thus give out larger sums to fewer projects. In increasing the bureaucratic nature of the processes to capture more detail, this would reduce risk and increase the legitimacy of the Welsh Government and WEFO as competent administrators of the funds.

The desire for increased legitimacy has been shown to lead to mimicry of more established or accepted practices (DiMaggio & Powell, 1983; Selznick, 1996), and in the case of Wales, the Welsh Government and WEFO had cast their eyes over other forms of organisation of distribution for inspiration:

*'We had a fair look around at what others were doing. No-one wants to re-invent the wheel, and it made perfect sense to try and take the best bits of other structures and make them work here. That way you know you are going in the right direction.'* Participant #29

This confirms Boland's (2004) assertions cited earlier in this chapter, that the Welsh Government was looking to other regions to emulate accepted practice. Selznick (1996, p273) noted that it is frequently organisational anxiety rather than a desire to 'reinvent the wheel' that prompts organisations to emulate accepted practices, and whilst this individual participant (#29) cited their rational argument that emulation was to avoid 're-inventing the wheel', their qualification for this was to ensure they were 'going in the right direction'. A small amount of anxiety could be detected in what participant #29 discussed here, where

WEFO were making efforts to mimic practices accepted elsewhere by the EC as valid, rather than relying on their own, possibly lacking 'storehouse of expertise' gained through the previous programmes to design their new funding structure. The main thrust of improvements to the programmes to increase legitimacy does, from the anecdotal and documentary evidence citing increased strategy and procurement models as improvements, appear to centre around increasing bureaucracy rather than developing innovative or evidence based policy solutions. This increase is however, a by-product of reducing risk and application volumes, rather than as a deliberate desire for bureaucracy itself.

Participants described WEFO as very internally focused with a definite, centralised preoccupation with rules, regulations, risk and accountability. The previous section on institutions made it clear that the reduction of risk was considered by the Welsh Government to be key in achieving legitimacy. However, in analysing the bureaucratic dimension, it is clear that there is a balanced benefit between the institutional environment and the bureaucracy, where the reduction of risk and increase in process not only increases legitimacy but reinforces the bureaucratic system. Fukuyama (1999) recognised the interaction of the institutional and bureaucratic environment, and argued that tradition, assigned value, and socialisation, perpetuated inefficient and bureaucratic systems. One participant explained:

*'ESF equals mountains of regulations, so it's not really surprising WEFO is the same. Their priority is pleasing Europe not us [wider voluntary and statutory sectors]. That means they stay in their little offices and write reams of incomprehensible stuff that we have to conform to to get our money. I doubt any of them have any idea what it's like out here in the real world.'* Participant

#19



This quote very much illustrates several of the characteristics of a bureaucracy as described by Kernaghan. The phrase 'their priority is pleasing Europe, not us' suggests an organisation-centred attitude being exhibited by WEFO that does not take full account of the needs of the external organisations that may deliver the programme outcomes. WEFO's pre-occupation here was presenting a professional and competent front to the EU, rather than creating programmes that were reasonably accessible to organisations that could achieve policy aims. The accusation that 'they stay in their little offices' betrays a reluctance by WEFO to meaningfully engage with the network, as echoed by other participants in this study, that points to a tendency in WEFO for independent action that lacks consultation. The reference to regulations and 'incomprehensible stuff' reinforces a view of bureaucracy that is wedded to rules, procedures and constraints. This is a quote from a participant outside of the organisation in question, and perhaps includes a certain amount of assumption on the internal workings of WEFO, however perceptions are important in assessing issues of legitimacy, power and bureaucracy. Participant #19's account demonstrates how WEFO not only exhibited characteristics of a bureaucracy, but that those characteristics formed a barrier between WEFO and the network that was difficult for the network organisations to overcome.

Another perspective on WEFO's bureaucratic features contrasts its difference to its overarching organisation the Welsh Government:

*'We are all one organisation now, but we weren't always. WEFO was an independent arms-length agency, and it grew up a bit differently to the [Welsh Government] core administration. There's still a little bit of a divide there. While a lot of [the Welsh Government] work in the early days was about being inclusive and consulting, there was, well, no need seen in WEFO for any of that. They were just able to say jump, and because everyone wanted money,*

*everyone said y'know, how high. They maybe see themselves as a bit more important. Above it all. Than some of the other departments.'* Participant #6

This quote has echoes of Kernaghan's bureaucracy (2000), in particular in terms of positional power and hierarchy. It is interesting that this participant clearly perceived WEFO's attitude as superior or incompatible with what they considered to be core Welsh Government values. The original split between WEFO as an Executive Agency and the Welsh Government clearly continues to cause some cultural differences that impact upon relations between government departments. The perception of WEFO from within the Welsh Government as more hierarchical, and as preoccupied with control and compliance, meant that the programmes were developed without the Welsh Government's early approach to the network, which was inclusive and consultative. Whilst Welsh Government staff did move in and out of WEFO on secondments and other work-related assignments, a difference in culture was definitely detected. This difference centred around a more controlling and rigid approach to internal and external work. WEFO's preservation of its bureaucratic system reinforced its authority and its ability to control the funding through reaffirming the distance between it, Welsh Government Departments, and the network.

There was an understanding by some within the programme development process that bureaucracy was necessary to deliver the programmes to Europe's specifications, and that whilst this would inevitably affect the organisations wishing to engage, some thought had been diverted to making this as simple as possible. One main merit of bureaucracy is its ability to regulate and deliver complex and high volume services in the right conditions. The right conditions are quite vital to the process however, and bureaucratic systems can experience blockages and dysfunctions in unfavourable environments. Meier (1997) stated:

“Bureaucracies perform best and can contribute the most to the policy-making process when:

- 1) they are given clear goals by electoral institutions
- 2) they are allocated adequate resources and
- 3) they are given the autonomy to apply their expertise to the problem”

**Source:** Meier (1997, p195)

Reviewing this criteria, on the surface, it could be asserted that WEFO existed in favourable conditions for it to perform well and make a valuable contribution. WEFO had clear remit and strategy for development and delivery of the programmes, had more than sufficient resources to achieve those goals, and had the administrative autonomy to carry out its work.

Whilst an increase in bureaucracy for the 2007-2013 ESF programmes was clear from the evidence collected in this study, authors have argued that an increase in bureaucracy is not necessarily a bad thing. Indeed, several authors have discussed the merits of bureaucracy in the organisations and delivery of public services, such as Weber (1918), du Gay (2000), Meier (1997) and Parsons (1967). Du Gay noted that well-structured bureaucracy could be frustrating for external individuals or organisations, but that this was necessary for the ultimate successful operation of the bureaucracy as a whole. The necessity of bureaucracy and the tension between it and implementation into the network was cited by some participants close to the programme development process. One participant noted of WEFO’s bureaucracy:

*‘Of course its bureaucratic. We can’t help that. Europe is bureaucratic, and we have to answer to Europe. In order to do that, we have to be bureaucratic ourselves. That obviously gets filtered down the food chain to the organisations*

*bidding. Is it too bureaucratic? Maybe. But we try to achieve a balance between requiring the right paperwork and making it as accessible as possible for voluntary groups. That's why we want big high value projects that will take care of filtering the money down to smaller groups.'* Participant #20

Digging a little deeper however, uncovers a few areas where the lines between WEFO's goals and WEFO's autonomy were blurred or occasionally subject to interference by forces external to WEFO. It is these instances in which negative aspects of bureaucracy emerge.

The informed documentary evidence collected from those that attempted to apply for ESF funds highlighted a significant level of confusion and suspicion over the new structures put in place for the 2007-2013 programmes, and participants cited the perceived bureaucracy involved in applying coupled with the difficulty in reconciling ESF programme requirements with their normal activities as a barrier to engaging with the programmes. Organisations wishing to receive funding were required to understand the required outputs and indicators outlined in the strategic framework, to design a project to achieve those outputs which was sufficient in scope as to be considered strategic (meaning that the project was high value, covering a wide geographical area and would include either project partners or would sub-contract outcomes) and were then required to go through the process of negotiating partnership or procurement with other organisations intending to carry out similar activities. Participants explained that this learning and negotiating activity consumed significant time, and several indicated that had there not been the potential to be written into a Welsh Government department bid, they would not have pursued ESF funding.

Other participants identified difficulties in aligning the activities required as part of the programme with their standard operating procedures. The programme timing, claiming methods and requirement for match funding would place additional stress on the

organisational resources, and would have a detrimental effect on the organisation as a whole. One participant noted:

*'After the original project we were supposed to be in fell apart we just didn't bother. It was so much effort to put together a project and try to get the match funding timed perfectly and work with other people while all the time trying to sustain our actual real activities that we just couldn't muster the enthusiasm to have another go. We don't have the staff or the funding to throw into the ESF black hole.'* Participant #18

This gives a clear indication that engaging with the ESF placed strain upon the organisational resources that would not necessarily be rectified by receiving the funding. The bureaucratic characteristic of developing rigid, low risk and compliance-heavy policy exhibited by WEFO prevented voluntary network organisations from receiving funds. This occurred by placing too great a burden on organisations to comply with bureaucratic requirements through the application process. The 'ESF black hole' swallowed resources, and the only participants in this study to discuss coping well with the programme requirements were attached to organisations that had staff dedicated to the pursuit of such funds and the design of these kinds of projects. These organisations tended to be larger with bigger budgets, and their accounts showed significant receipts from the Welsh Government.

Participants have pointed to the measures for accountability and transparency within the ESF programmes as some of the most cumbersome bureaucratic measures, as the information to meet these conditions must be able to stand up to audit by the European Court of Auditors<sup>16</sup>. Laffan (1999), in her paper on the evolution of the European Court of Auditors, notes that this institution has, over time, progressively become 'less timid' in its

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<sup>16</sup> The Court has, however, stressed that it is member states in the first instance that must act to prevent irregularities in the use of EU monies (Laffan, 1999).

criticisms of member states and their uses on EU monies, and this has prompted the EC in turn to re-interpret its own rules and regulations attached to the ESF. For member states and regions receiving European funds, this meant a higher level of scrutiny of their programmes and as a result, a need to be compliant in the distribution and use of funds. This is a clear demonstration of MLG driving regional policy implementation. One participant reinforced this view, explaining:

*'After an Audit of the Court and dealing with Enlargement [of the number of member states] it was like suddenly the Commission was a lot more severe and tough than they used to be. And they [member states in receipt of ESF] said 'this isn't fair because it is the same regulations but you changed your interpretation.' No, it was just, well they say it was a stricter approach from the same book. So and that's how all the attention went to Audits and Monitoring systems. Well it made life more difficult but, also the lives of those people managing the funds in those States.'* Participant #25

This increase in 'attention' to audit and monitoring systems by the EC filtered down to member state level through increased processes, requirements and regulations attached to the Structural Funds that would in turn, need to be absorbed into programmes and complied with by organisations receiving funds. In the case of Wales, the tougher EC approach contributed to the increase in bureaucracy involved in the administration and receipt of the funds, as WEFO and the Welsh Government scrambled to develop a programme that would go beyond basic compliance and impress the EC. The value placed on regulations and compliance within the EU requirements was absorbed by the Welsh Government and somewhat magnified in the programmes developed for Wales. MLG was responsible for reinforcing relationships and processes between Wales and the EU, but more importantly, this provided an effective conduit for institutional change.

Clarke (2003) noted that scrutiny processes designed to hold public organisations to account are generally low-trust/high-cost models, shaped by centralised bureaucracies, and this is true of those regulations attached to the Structural Funds. Bovens (2005, p182) proclaimed public accountability as 'the hallmark of modern democratic governance', and defined accountability as 'a social relationship in which an actor feels an obligation to explain and to justify his or her conduct to some significant other.' In this case study, the issue of accountability was a hierarchical one, where ground level ESF recipients were accountable to WEFO, where some Welsh Government departments were accountable to WEFO, and where WEFO was accountable to both the Welsh Government, NAFW and to the EC. This type of web of accountability has been described as 'the problem of many hands' (Bovens 2005; Thompson 1980) where policies, decisions and instruments pass through an exhausting number of public officials before being approved to ensure systems can be explained or justified. This problematic phenomenon is an example of process-based bureaucratic systems that are based on habit, and are the consequence of structuring the organisation through grouping and separating specialised functions into smaller hierarchies. This problem of many hands reinforces Bovens (2005, p194) assertion that 'there is an inherent and permanent tension between accountability and effective performance' and coupled with the findings of this study demonstrates that increases in accountability measures have caused an increase in bureaucracy.

The programme requirement for large, high value, strategic projects with multiple delivery agents coupled with the complexity of the bidding and monitoring process exhibited clear bureaucratic values aligned with those held by WEFO. These values were applied to the development of the programmes, and WEFO's attempts to reduce risk and increase strategic working through increasing and refining requirements, resulted in a longer and more complex application and project delivery process. The rule-centred and risk averse structures were constructed to regulate funds awarded, and were designed to benefit the

smooth running of the programme bureaucracy, rather than the goal of empowering the service delivery organisation to achieve the policy goals. This meant that the application processes were difficult for organisations to comply with, as their needs and methods of operation had not been taken into account in the design of the programmes.

Many participants generally felt that the ESF programmes, whilst potentially lucrative and necessary in some cases for financial survival, were incompatible with the values of the applying organisations. One participant described the process as 'like trying to fit square pegs in round holes' (Participant #9), and this is a clear example of the incompatibility of WEFO/the Welsh Governments bureaucratic, EC oriented ESF programme with the pool of organisations debatably best placed to engage the policy target group.

The discussions on institutions and bureaucracy presented here demonstrate that institutions shaped the Welsh ESF programme structures through the values and norms associated with the position of the governing entity towards Europe. Through a model of MLG, processes and relationships were institutionalised, and the EC came to hold significant influence over the actions over the Welsh Government. The Welsh Government placed significant value on its reputation and performance in Europe, and the norms and values within this organisation were therefore oriented towards this end. This meant that the development of the programmes was carried out in order to comply with European structures regardless of the norms or values in place within the Welsh network and its organisations. This is an important point to establish, as it shows that the development of the programmes was not, in fact, wholly focused on achieving the policy goals of the funding.

Whilst there is no evidence that the Welsh Government or WEFO deliberately neglected the policy aims, the institutional environment was oriented towards pleasing Europe in terms



of process and paperwork. This can be considered fundamentally different to a structural environment being oriented towards meaning fully engaging the most in-need individuals through the organisations that were expert in working with them. This in part, answers the first key research question, which asked how institutions and power shaped the structures of the Welsh ESF programmes, and goes further in uncovering the implications of that process.

#### **6.4 The Importance of Power**

Chapter 3 stressed the importance of power in enabling organisations with it the ability to structure environments and succeed within those structures, possibly at the expense of organisations without the power to do such things.

The preceding sections in this chapter on bureaucracy and institutional considerations have contained several examples of power and influence and how these resources have been employed to shape decisions governing the distribution of funds. The ability to fundamentally alter the structures that govern the distribution of the funds indicated that the EC was in a position of power over the Welsh Government, and was not only able to change the processes of the Welsh Government, but was able to direct these actions without applying direct pressure to do so.

Instead, the EC was able to change the rules governing the programme, and indicate preferences for certain ways of working not included in previous programmes. An example was the requirement for the Welsh Government to take a more strategic and coherent approach to distributing the funds, and to strengthen partnership elements of the programme. There was no explicit conversation that occurred in which the Welsh Government was instructed to change the programmes, rather the overarching

requirements of the programmes themselves were restructured at EC level, and this filtered down to the Welsh Government, which then adapted these in order to continue complying with the regulations. This fits Lukes' (1974) model of power, in which power is exerted in a most subtle fashion, and outside of directly conflicting situations. Indeed, this form of power to change the underlying environment which will in turn channel the funds in a certain direction is positively collaborative in this case study, with the EC and the Welsh Government working together amiably to design the 2007-2013 programmes.

Lukes' (1974) concept of power is unconscious and established as the natural order of the system. In this case study, despite the collaborative nature of the situation, the natural hierarchical organisation consisted of the EC wielding more power than the Welsh Government, and possessed the power to award significant sums on the provision that the Welsh Government administered them in a manner compliant with the will of Brussels. This possession of such agenda setting power was key in the Welsh Government's assessment of its own legitimacy, and because of the power wielded by the EC, the Welsh Government developed a culture in which pleasing the EC was a priority above everything else.

The Welsh Government was able to assert its own power as the administrator of the funds, and further increase its legitimacy by demonstrating its control over the funding process. Power, in the form of control of significant funds, was therefore delegated to the Welsh Assembly by the EC. This authoritative, mandated power over the funds complemented its existing power over the Welsh environment, however it granted the Welsh Government particular power over the voluntary sector network, as these organisations had developed a certain level of dependency upon ESF funds for their work over the preceding 6 years. Should ESF funds become unavailable to the sector, statutory and lottery grants received to match the ESF funds would also be likely to dry up, having significant impact upon voluntary sector organisations finances. In some situations, this could mean the difference between

some voluntary organisations continuing to operate, or ceasing operations in Wales. One participant explained:

*'We wanted to apply the changes quickly and simply. They helped us too, because we could cite them as non-negotiable, coming from the EU. The decrease in project numbers was the biggest bonus – not dealing with thousands of applications. We won't have to deal with smaller organisations now. They will have to deal with the big project leaders.'* Participant #5

The application of power was therefore cascading down from the EC level to shape the approach of the Welsh Government, which in turn altered the funding environment in which a significant portion of the voluntary and local statutory sector had existed within for the previous six years. The significance of the comments of Participant #5 (which were echoed by participants 2, 4, 29 and 30) for the wider network, was the displacement of funding distribution responsibilities downwards by one level onto the statutory and voluntary sector network.

Where, previously, all organisations applying for funding would be assessed by WEFO, for the 2007-2013 programmes, only the project leader or project partnership would be assessed and awarded funds by WEFO, and further dispersion of the funding to smaller organisations would be carried out by the leaders of the awarded projects. WEFO was able to reduce its assessment workload by a factor of 10 by displacing that workload onto the network, which it was able to achieve legitimately by reconstructing the conditions for application. This clearly raises questions over accountability, transparency and 'fairness' in funding distribution which will be put aside here and discussed in the next section, however it also highlights the level of hierarchical and agenda-setting power possessed by the Welsh Government to fundamentally alter the environment in which ESF funding is distributed.

Power over the voluntary sector network, as a result of the design of the 2007-2013 programmes, was concentrated and centralised within the public sector. The level of power the Welsh Government held over the network essentially enabled it, consciously or not, to maximise funds retained within the statutory sector at the expense of the voluntary sector. The implications of this were not only the possible contraction of the voluntary sector as a result of a lack of funding, but a loss of expertise in engaging with the very people that the funds were awarded to help. Power held by the Welsh Government therefore had a key role in shaping the funding distribution structures of the ESF in Wales.

This discussion on power suggests that dominant organisations would dictate the programme and project structures, and that less powerful organisations would attempt to conform. The conformity the Welsh Government demonstrated was in line with its own interests, because although the changes in programme management required significant work to be carried out to alter the established methods of administration, these changes complemented its wishes to reduce the amount of administration involved in assessing applications to the programme. The power awarded to project leaders as a result of the centralised, low-risk programme design is more problematic, as this potentially had more serious implications for the voluntary sector. Within the wider statutory and voluntary sector networks historic relationships would have more impact upon which organisations may be able to secure project partnership status or sub-contracts. Power to choose can also mean power to exclude, and because project leaders were in such a position, the importance of power in the network and in relationships comes into play. This will be explored in the next chapter.

This section has shown that possessing the power to fundamentally alter the environment through imposition of regulations and requirements was key to shaping the structures of the Welsh ESF programmes. Without the power to change the structural environment, the

programmes may have remained similar to the programming period prior to 2007. However, the changes cascaded down to provide the Welsh Government with the authority to implement its own preferences in the programme design that would alter the wider statutory and voluntary network power structures. This is in keeping with the works of Bachrach and Baratz (1962) who stressed the importance of power to alter structural conditions, and later Berenskoetter (2007) who cited the relevance of agenda-setting power in controlling and influencing organisational action. This also adds further evidence to demonstrate how institutions and power shaped the structures of the Welsh ESF programmes, as per key research question 1.

## **6.5 Entrusting Resources to the Most Capable Hands**

Trusteeship, as shown in Chapter Three of this thesis, is a principle that is embedded in a governing entity's process of designing and delivery policy aims, and procuring others to achieve these aims on its behalf. It is necessary to examine this principle at this juncture, as this theme draws together some of the points raised so far in this analysis concerning bureaucracy, centralisation and power.

In principle, a trustee should utilise resources for the development and benefit of the wider public (Cowen & Shenton, 1996), and should develop the capacities of the public in line with the policy aims attached to the resources in trust. In this case study this meant that the Welsh Government and its European funding department WEFO should ensure the ESF funds were used to empower wider society to reduce the landscape of poverty and exclusion that made large areas of Wales eligible for this funding, using the best possible expertise to achieve this. This case study collected evidence that exhibits a strong trusteeship tendency by the Welsh Government in building structures that would allocate the greatest share of ESF funds to statutory sector and dominant voluntary sector

organisations – those considered by the Welsh Government as best-placed to deliver. Who is best placed to deliver though? This chapter has already shown the focus of the Welsh Government's work to be skewed towards impressing the EC. Would the funding structures developed from that focus really enable selection of the best organisations to deliver? Or would the funding structures exclude certain organisations?

Firstly, in models of trusteeship, resources must be controlled and organised by the trustee. Only then, can adequate decisions be made on distribution to externally competent organisations. This case study exhibited exactly this process in the Welsh Government's absorption of WEFO into its central administration.

Several participants noted the change in status of WEFO from an independent executive agency to a departmental body as a turning point in the administration of the funding programmes. The legitimacy and benefit of independent government bodies, quangos or agencies has been queried in literature (Flinders, 2004; Gains, 2004; Talbot, 2004). Many states in Europe and internationally have established arms-length agencies to carry out certain statutory functions, some with the intention of increasing the transparency and legitimacy of decision-making, and some to shift responsibility away from governmental departments (Flinders, 2004). Talbot (2004) proposed that there are three fundamental elements to the concept of 'agency', these are:

- Structural disaggregation and/or the creation of 'task specific' organisations
- Performance contracting – some form of performance target setting, monitoring and reporting
- Deregulation (or more properly reregulation) of controls over personnel, finance and other management matters

**Source:** Talbot (2004, p6)

Comparing these criteria to the original status and remit of WEFO, it is clear to see that WEFO in its original incarnation possessed these fundamental ideas of agency. WEFO was created with a specific and limited remit, was responsible for delivering tangible outputs and for monitoring those in line with European requirements, and had control over its standard business functions. A common result of creating an arms-length agency is a loss of direct control over its actions and its direction. Once independent, agencies may progress in a direction not considered or envisioned by those that constituted it in the first place, and may develop an institutional environment distinct from central governmental departments. This divergence and separation makes it politically more difficult to control an agency, and in situations where the agency is not complementing the central governmental administration, reduces the credibility and legitimacy of the government. Within this study, WEFO was identified to have much less autonomy than it had previously enjoyed as an arms-length agency, and the involvement of the wider Welsh Government's departments in the development and implementation of the programmes was also considerably greater. This alluded to the Welsh Government's wish to exert significantly more control over structural funds than it had in the previous programming period, at the beginning of which WEFO was an executive agency.

Flinders (2004) suggested that the creation of autonomous public bodies by the last Labour government was in part, to increase public confidence in the operation of democracy in general. This was an extension of trusteeship and demonstrated a commitment to entrusting resource only to those the government deemed competent. The creation of WEFO as such a body was carried out with the same logic. One participant noted:

*'Originally it was thought that having WEFO as an independent executive office would make things more transparent, more open. Sort of. But then it seemed that the powers that be had a change of heart or got a bit worried they'd given*

*up too much power or whatever. Anyway, the upshot was that in 2003 we were then part of the assembly [Welsh Government] and the official party line was that the programmes would be run more effectively that way.'* Participant #5

The 'official party line' at the time was also quoted in the Welsh news:

*'An assembly government spokeswoman confirmed that WEFO was being brought under the direct control of the assembly. But the spokeswoman added that the change was being made to give the assembly government greater strategic control over the programme. She denied the programme was failing and said that Objective One money would not be sent back to Europe. Labour AM Christine Chapman, who is chair of the Objective One monitoring committee, which used to oversee WEFO, said the move was 'welcome'. She said: 'I'm concerned at the way this story has been blown out of all proportion. This is a welcome move - it's about improving Objective One.'*<sup>17</sup>

**Source:** BBC News website

The purpose of quoting this story here is to show that the publicly stated reasons for bringing WEFO 'in-house' were fundamentally to improve the programmes. Improvement would, in the Welsh Governments own perception, increase the legitimacy of the work being carried out. This research did not, however, identify significant improvements in the programmes as they were being implemented, and did not identify any processes operating alongside the development activity to evaluate whether the changes were being received positively.

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<sup>17</sup> This news story also quotes opposition party members suggesting that the decision to change WEFOs status was due to poor management and failures in the administration of the programmes.



The act of drawing WEFO into the Welsh Government would have demonstrated to WEFO, the EC and to anyone else paying attention that NAFW and the Welsh Government were firmly in charge and prepared to take action should they so wish. It was a demonstration of power by NAFW and the Welsh Government, and this proposition was confirmed by three participants in this study discussing this incident with reference to the Welsh Government wishing to convey a clearer image of control over its programmes. As discussed in Chapter 4 of this thesis and confirmed through the evidence collected, this need to make such a demonstration of power was in part caused by the early difficulties and political consequences of the perceived mis-administration of the funds when the 2000-2006 programmes first opened. One participant noted:

*'It must have been pretty embarrassing for the politicians involved, the shambles the programmes were in early on. Rhodri [Morgan – First Minister for Wales] saw what happened to Alun [Michael – previous First Minister for Wales] and probably thought a show of strength was in order. For us inside the Welsh Government it didn't matter, but politicians' heads roll if they are looking a bit clueless. Bringing WEFO in didn't look good, but at least it was decisive.'* Participant #2

The action of bringing WEFO 'in-house' was made to reassert political and governmental control over the implementation and administration of the 2000-2006 programmes, and would serve as an example of the Welsh Government's ability to decisively enact change where it considered it was necessary. This would be invaluable to the public images of NAFW and the Welsh Government in negotiating the funding for the current 2007-2013 programmes.

### 6.5.1 Best placed to deliver?

It could be argued from a number of different perspectives which organisations were truly the best placed to deliver the ESF policy goals and how the cost of expertise could be balanced with the need for efficiency and value for money. There is however, a general acceptance within the academic (Kendall, 2003; Lewis, 2005; Mordaunt, 2006; Osborne & McLoughlin, 2004) sphere that the voluntary sector holds significant expertise, and is an integral part of the solution to cross-cutting and wicked social issues. The context on the Welsh environment provided in Chapter Four details the voluntary sector schemes and commitments in place to enshrine the importance of the voluntary sector in service delivery. The use of this sector would therefore be expected in the delivery of ESF policy goals in order to best serve the needs of the public.

The ESF programmes, due to stringent requirements attached by the EC, were designed to concentrate decision-making in the hands of WEFO, but were also structured to reduce the administrative burden on WEFO and award greater power to projects to distribute funds. This caused initial conflict with the trusteeship principle, as the release of control over funds would dilute the power of WEFO to retain complete authority over the funding process. The programmes were, therefore, structured in a strictly hierarchical and parochial form to regulate the funds and retain maximum control over them, whilst reducing the administrative burden. This meant that the trustee principle was actually reinforced, as the programmes called for large, strategic and high value bids that could only be run by the statutory sector. This served to centralise and confine the funds to organisations fundamentally linked to the Welsh Government. One participant noted:

*'The programmes still needed to be water-tight, but the reduction [in the number of applications] had to be there, so that's why we said 'no – the bigger projects can take on complete responsibility for the funds we give them, and*

*they can do the partnering and procuring to make sure there's no duplication and that the right organisations are getting involved' . . . We were still in control, but we were essentially procuring the big projects to procure the little projects.'* Participant #5

Another participant explained a little more about what WEFO's expectations of what these projects would look like:

*'The expectation is that the fewer, bigger projects in this round will be led by statutory authorities or departments, because the sums being talked about mean that voluntary sector organisations probably won't be able to underwrite the risk of leading such enormous projects. It's less risky if you think about it.'*

*Participant #29*

This effectively excluded a significant proportion of the voluntary and private sectors which did not have this capacity and further demonstrates the principle of entrusting resources to a small number of organisations considered competent to utilise the ESF resource. The reduction in administrative burden clearly meant higher risk where projects were able to further distribute funds to achieve policy outcomes. In order to mitigate this risk, WEFO structured the programme requirements to ensure that the best suited organisations to lead projects were those with features most commonly found in the public sector, such as large experienced finance and procurement departments, large reserves and ability to underwrite projects of high value. In this way, WEFO was able to rid itself of the administration of funds to smaller projects whilst retaining control over the funding distribution methods in conferring a certain amount of power to a small number of trustworthy organisations. One participant noted:

*'Bigger projects, bigger risk to us as a managing authority. To reduce that risk, and take some of the burden off the voluntary sector, projects are best situated with large bodies and statutes. These types of organisation are already set-up for projects of this size, and they can take responsibility for themselves.'*

*Participant #14*

The bureaucratic values so fundamental to the Welsh Government and WEFO's general operations clearly continued to have influence over the structure of the programmes, and directed funding towards organisations that could handle the funds in the way in which WEFO's values considered best.

There was an inherent reassurance in local authority or departmental procedures regulating the funding processes, and so in its role as trustee, WEFO entrusted power over the funds to only large, mostly statutory, organisations that in WEFO's view possessed the necessary expertise to use the funding appropriately. The fact that this small group of organisations awarded this power were closely tied to the state further demonstrates that the power conferred was not distributed far from the centre, and was intended for organisations which ultimately answer to the Welsh Government. This reflects the centralisation of decision-making and retention of regulatory practice that paradoxically characterises the concept of trusteeship in practice, and demonstrates how the actions of the governing entities limit meaningful public or voluntary-sector oversight of this funding process. Because only statutory organisations were likely to be able to lead projects, these bodies retained the financial and technocratic authority to design projects, and the ability to choose which organisations would be subcontracted to deliver outputs.

There was therefore, a clear exhibition of trusteeship features, as described by (Cowen & Shenton, 1996), in the design of the ESF funds, which presents a different power dimension in answering the first key research question.

### **6.5.2 Displacing trusteeship through contracting**

Preceding sections have stressed the preoccupation of the Welsh Government and WEFO with its own legitimacy, and in order to preserve this legitimacy, WEFO needed to reduce the amount of scrutiny it came under concerning decisions it made on individual projects. It did this through reducing the number of projects, but also by displacing responsibility for the further distribution of funds by those projects onto the project leaders. In order to displace this responsibility effectively, WEFO was able to make the award of funds more 'contract-like' in nature, and to place stringent transparency and monitoring requirements on projects. This enabled it to avoid blame coming from either direction – it could point to the EC as the source of project requirements and, in the event of project failure, point to individual organisations awarded funds for failure. One participant recalled:

*'It was difficult to pin-down what WEFO was in charge of sometimes. When you tried to query why things were with them, they were always like 'oh we have to do that because Europe want it' or 'we cant do anything, you'll need to talk to someone leading one of the big projects'. Nothing was ever their fault.'*

*Participant #35*

It has already been demonstrated above that the design of the funding programme lacked meaningful accessibility to the voluntary sector without this being made explicit as a criteria for eligibility. The information collected also formed a picture of a system in which the issues of accountability and transparency emerged again and again in different places in the

process of funding distribution, thereby calling into question how these ESF programmes are scrutinised and quality-checked in terms of the public good (rather than the EC good). Another key area relating to the theme of trusteeship emerged when considering the process of subcontracting. The information collected showed that not only did the environmental shift to public sector led bids serve to largely exclude the voluntary sector as a driving force, the partnership concept and implementation of subcontracting in line with transparency and accountability measures, increased dysfunction and competition in the network between organisations wanting to deliver outcomes.

Bovens (2005) noted that one of the main functions of public accountability is to improve performance, the other main functions being to enhance integrity of public governance, and to provide for the democratic process. Combined, these serve to enhance or maintain the legitimacy of the government in question, enabling it to be entrusted with the direction of resources for the greatest good. Within this study, with the programmes being oriented towards pleasing the EC, the Welsh Governments public-facing legitimacy was somewhat neglected in pursuit of creating the most impressive programme in the eyes of Europe.

The delivery of policy goals, as in the ESF programmes, would in theory need to be carried out by organisations outside of the state, given the present role of the state as an 'enabler' rather than a 'deliverer' (Rhodes, 1994 p141). Local authorities and government departments simply do not have to expertise in house to deliver the outcomes required by ESF, so even where local authorities and government departments have been awarded funds for a project, they would need to use this to procure the outcomes they had committed to achieving in their project bid to WEFO. In line with Boven's theory on public accountability measures, one might have expected to find project leads going through a competitive selection process to recruit the right partners, much like organisations would

recruit for staff. This would ensure the transparency and accountability of decision making in selecting those organisations to deliver the services.

One method of creating transparency in the award and delivery of services used increasingly by governments around the world is competitive contracting (Smith, 2005). The logic behind this assumes that in a free, open market, competition to win contracts ensures that the process is free from political influence or relational favouritism, that all organisations are able to bid, and that monopolies are not supported by the state. Radnor and McGuire (2004) noted that performance management of contracts provides a clear mechanism for monitoring and improving accountability. Private, voluntary and smaller statutory organisations campaigned for there to be a clear procedural element of fairness in the distribution of funds.

The requirement from seemingly all sides for 'fairness' and for 'accountability and transparency', added to earlier discussed requirements for increases in strategic spending and efficacy, meant that WEFO shifted towards a cascading competitive contracting model of funding distribution and away from the individual grant funding model employed in the 2000-2006 programmes. This was seen to be a fair and straight forward way of distributing funds. Contracting would in theory, increase transparency and accountability and meet the criteria for fairness through open competition allowing all organisations the same opportunities. This would stand up to audit by the EU auditors, and would enable the Welsh Government and WEFO to monitor large scale outputs and outcomes to demonstrate clear success. This would also reinforce the regulations set in place by WEFO to reduce risk and reinforce technocratic authority, consolidating this expertise within the public sector organisations entrusted to achieve the policy goals required.

Another attractive feature of contracting discussed earlier in this section was the potential for it to shift responsibility for the award of funds away from WEFO and onto organisations awarded funding for large strategic partnership projects. Through a model of MLG, the structural funds solidified tiers of responsibility for decision-making concerning the destination of funds, and this nurtured a higher tier of network and statutory organisations between the Welsh Government and the network. Similar to comments by participants earlier in this section, one participant noted:

*'We won't have to make all the decisions this time. We will award the big ones, and then it's their responsibility to sub-contract through the sell2wales website. There will still be plenty of disgruntled voluntary sector organisations complaining I'm sure, and they will need to go away and engage with the bigger projects. The point of doing this is to reduce the burden on WEFO, making the big projects do a lot of the scrutiny.'* Participant #20

This shift of responsibility to an arms-length agency echoes both Talbots's (2004) discussion of agency and Flinders'(2004) assertion that the creation of agency deflects potential criticism in the event of the agencies failure, and could be viewed as a demonstration of political manoeuvring to reduce governmental answerability for what may be publicly unpopular decisions. Whereas in the previous programmes WEFO was inundated with not only legitimate applications, but significant political and public pressure to fund certain projects and answer for projects not funded, this time, WEFO would shift a significant proportion of both small project application and the external pressures onto the large strategic projects for them to deal with.

This system of displacing responsibility has been cited by Bovaird (2006) as problematic in the contracting sphere, and may place disproportionate blame on the contracted agencies



for any potential failure. The new model of awarding funds to only large projects and then expecting them to cascade the funds down to smaller organisations would insulate the EC, WEFO, the Welsh Government and to a certain extent, NAFW against campaigning and any accusations of poor grant-making decisions, incompetence or a lack of transparency. This model would therefore leave the legitimacy of the Welsh Government and WEFO intact, and shift any suspicion of favouritism or poor practice in the distribution of funds through contracts onto those large project partnerships that were awarded ESF monies. In reality, the participants originating from the network viewed this multi-tiered model as very much lacking in transparency, and difficult to navigate in terms of trying to access funds. This challenges the assumptions inherent in New Public Management, that suggest that procurement exercises would secure the best deal, and that transparency measures would actually make procurement processes more visible. This study suggests quite the opposite, with the evidence collected demonstrating a multi-tiered web of procurement so complex it could not possibly be described as transparent.

Whilst contracting as a method of demonstrating accountability and transparency could generate a clear and auditable paper trail, there is debate in the literature (Flinders, 2004; Kettl, 2000; Pollitt, 2005) around its true value in ensuring accountability and transparency across the whole process. The evidence collected for this study shows the logic of using contracting to improve accountability and transparency to have been applied in this case, however it is worth noting here that there is literature that conversely views contracting models and the use of agencies as detrimental to efforts to achieve accountability (Flinders, 2004; Rhodes, 1994). Based on the evidence collected in this study, it is clear that partnering, contracting and sub-contracting clouded the transparency of funding distribution and as a result, the power relations within the MLG operating in Wales became altered.

The finding of this study support Rhodes (1994), who was very direct in his opinion that a hollow or contracting state erodes accountability, and that the use of fragmented agencies and a multitude of contracts creates a complexity of organisation that decreases the ability of the public to understand or engage with the system. Voluntary sector participants in this study stressed that they couldn't hope to understand how all of the funding decisions were made or what 'deals' were done informally. If individuals are unable to understand how the funding was directed, how can the process be transparent or accountable to the public?

A lack of ministerial accountability for actions of agencies carrying out delegated functions is cited by Flinders (2005) as a result of increasing horizontal contracting by government. In these cases, the government is able to claim transparency in its selection of those organisations carrying out delegated activities, but a murkiness occurs in the position of responsibility for the achievements or failures of those organisations. There is therefore, a clear assertion in the literature that supports the view that governments, for one reason or another, have difficulty holding contractors to account (Johnston & Romzek, 2004). The evidence collected in this study supports this view, which demonstrates a lack of will by the governing entities to concern themselves with the detail of the funding's final destination. Dugger (1987) summarises this quite succinctly, stating 'Superiors, sometimes to shield themselves from possible responsibility, are not to delve too deeply into how the goals are achieved' (1987, p1659)

The centralisation of power and the concentration of power conferred enabled WEFO and the Welsh Government to mitigate against the risk of failure, and to retain maximum control over the ESF funds without being a deliverer of services. Whilst risk of failure was minimised, the lack of transparency and accountability in this model benefitted the Welsh Government and WEFO, as responsibility for unpopular decisions could be displaced where necessary, whilst credit for success could be retained. This demonstrates that trusteeship

principles such as careful delegation to competent organisations and centralisation of resources in a hierarchical system shaped the structure of power in determining eligibility for funds. This also established a more formal type of trusteeship. However, sufficient distance between the trustee and the delegate was maintained to displace potential failures. This provides an additional dimension to the consideration of the first research question, which asked how institutions and power shaped the Welsh ESF programmes, and shows that trustee principles served to further reinforce the centralised and statutory-favoured programme structures.

## **6.6 Structural Embeddedness: Occupying Advantageous Positions**

The theme of structural embeddedness spans both the institutional and network contexts. The decision to situate this section in this institutional chapter was made in order to create a theoretical bridge to the network environment, and to highlight existing institutionalised links between the bureaucratic structures of government and the network. Structural embeddedness emerges as a characteristic of an organisation as a result of institutionalisation of links and position between the organisation, the state and the networked environment. It is, therefore, fitting to locate this theme here as a transition between institutions and networks.

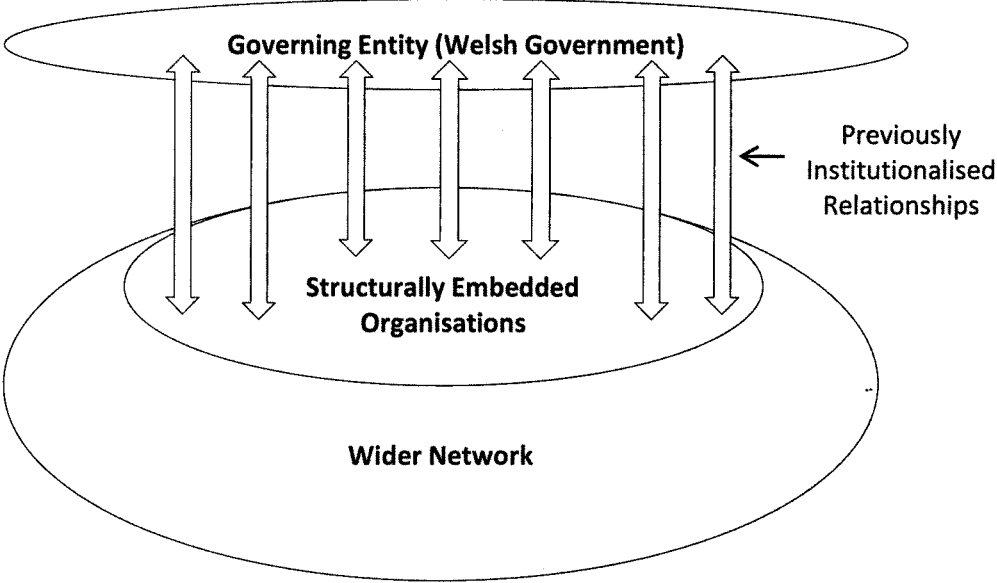
This section will consider the relationships between the government department that led the case study project and the network that may have influenced the eventual decisions taken concerning which organisations to accept into the project partnership. This is relevant to detect the level at which relationships were already institutionalised prior to the inception of the 2007-2013 ESF programmes in Wales and the design of the case study project. The finding of this study suggest that structural embeddedness is an on-going process, and that the institutionalisation of links between organisations and the Welsh

Government over time has not only benefitted them financially, but has directly led to these organisations being able to retain expertise that can perpetuate their state of embeddedness.

#### **6.6.1 Institutionalising relationships**

It has been demonstrated in the literature (Hager *et al*, 2004; Huang & Provan, 2007; MacKinnon *et al*, 2004) that organisations which are structurally embedded are more likely to have success in engaging with governing entities over organisations that are not structurally embedded. This section demonstrates that organisations that have institutionalised links with governing entities over time perform better in securing places in partnerships with those bodies, than organisations that are missing those links. Through this process of institutionalisation, organisations in the network become structurally embedded in the delivery of policy aims for the state. This means they occupy a key informational position between the state and the network, and as repeated delivery agents for the state, adopt norms and procedures internally to better serve the requirements of delivering for the state. This sets organisations that are structurally embedded apart from other organisations, and creates a two-tiered network, as illustrated in Figure 6.3.

**Figure 6.3      Structural Embeddedness in the Network**

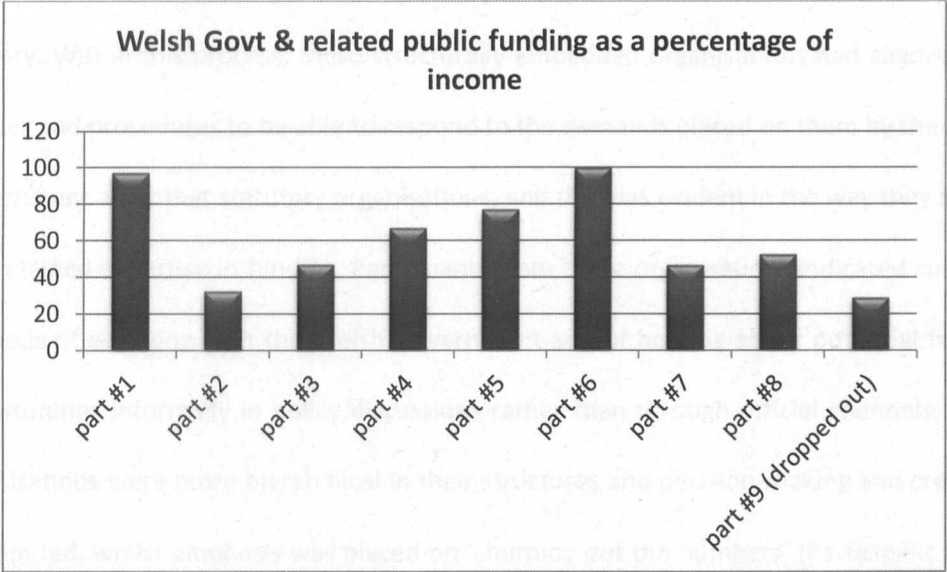


Structurally embedded organisations are, therefore, still part of the external network environment, but occupy positions in which they will be more exposed to valuable information. This information allows them to make more complete and less bounded decisions than organisations not occupying these positions. This affords organisations more power over their futures, as they are able to more easily identify where their funding will originate from, and orient themselves towards it efficiently. This case study determined those organisations that had long relationships with the state in terms of receipt of funds, service delivery and policy engagement, as well as holding respect within the network, as structurally embedded.

Within this case, there emerged a clear preference within the Welsh Government department leading the case study project to engage organisations that were known to them and with whom they had worked before. Whilst this was not explicitly stated, there was much discussion by participants concerning fairness and transparency in the process. The documentary evidence collected from organisations indicates that those organisations that had received funding from the Welsh Government before were more successful in gaining entry into the project partnership than those organisations that had not received

funds. Of the nine organisations that were successful, one was 100% funded by the Welsh Government, and 6 had received in recent years annual grants of over £100k from Welsh Government and/or linked statutory sources, such as the Welsh Language Board or Arts Council of Wales. Table 6.4 clearly shows that partner organisations received at least 30% of their income from Welsh Government and related sources in the year the partnership was formed (2008-9).

**Table 6.4**      *Partners Public Funding Levels 2008-9*



Conversely, of those organisations that were not successful and who participated in this research, only 4 out of 8 had grants from the Welsh Government listed in their audited accounts, and those that did have Welsh Government receipts had them sporadically rather than annually or consistently. These unsuccessful organisations did however, show greater dependence upon more diverse funding sources and more diversity in activity than the project partners. The project partners had very similar organisational structures that were clearly more efficient at processing funds for services from statutory sources, but lacked diversity of activity and funding. This supports the argument for isomorphism made by DiMaggio and Powell (1983) in suggesting that those organisations oriented towards one specific goal will begin to look alike as they emulate and operationalize successful and accepted practice.

In this case study, the organisations that were successful were, at least within their audited accounts and annual reports, similar in appearance when looking at the sources of funding, and had similar internal organisational structures with an emphasis on being very involved in the policy affairs of the Welsh Government and of delivering for high numbers of beneficiaries. Based on the evidence collected in this study, it is clear that the close involvement between organisations receiving grants and engaging with government over time has embedded these organisations into the fabric of Welsh Government policy delivery. Within this process, these structurally embedded organisations had aligned their policies and procedures to be able to respond to the demands placed on them by the Welsh Government and other statutory organisations, and this was evident in the way they sought and retained expertise in funding. Participants from these organisations indicated common methods of engaging with the Welsh Government and of hearing about potential funding opportunities informally in policy discussions rather than through official channels. These organisations were more hierarchical in their structures and decision-making and creativity was limited, whilst emphasis was placed on 'churning out the numbers' (Participant #7). In contrast, the organisations not successful were slightly different in appearance, exhibiting a wider array of funding sources and demonstrating more diverse activities and organisational structures.

How do organisations become structurally embedded in state policy development, governance and delivery? Working together over time, relationships on both an organisational and personal level can develop and become institutionalised. Where trust between these organisations is developed, further opportunities may present themselves. At some point in this process, the organisational position becomes what Grant (2004) described as an Insider, and can become the 'go-to' organisation for a particular type of provision. Grants criteria for an Insider were not explicit, however the term encompasses

the status of the structurally embedded organisations in this study as occupying positions of informational value.

Participants in this research that were successful in becoming part of the project partnership were uncomfortable with the idea that they might have had an 'inside track' to becoming partners, and all cited the original, more inclusive project designed by the Welsh Government department as an example that they were not given preferential treatment. Similarly, those participants within the department managing the project were quick to stress that there was no favouritism in the selection process, and that they selected partners purely based on the merit of their project, their expertise and their geographical remit. These three criteria did, however, betray further differences between those organisations that were considered to be embedded, to those that were not. With this criteria in mind, the funding receipts of the partner organisations from the Welsh Government and other sources were examined more closely, and revealed common grants for 'core'<sup>18</sup> costs.

#### **6.6.2 Core support as the conditional factor**

The audited accounts of the structurally embedded organisations showed significant Welsh Government or linked statutory body grants going back several years, and whilst these grants were for a range of purposes, several were for the purposes of supporting core organisational costs, expanding into other geographical areas and developing new services. These core grants enabled organisations to retain expertise not only in delivery of policy outcomes, but in fundraising, contract delivery and related paperwork. This retention of expertise would ultimately enable the successful organisations to submit high quality project applications to the case study project, and to maintain over months and years a good relationship with organisations that were sources of funding. The financial support to

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<sup>18</sup> Core costs refer to items such as full-time non-project staff costs, overheads, maintenance, and other costs associated with the day to day running of an organisation



retain these individuals enabled those organisations to develop long term relationships with the Welsh Government, enabled them to develop and retain expertise in grant funding, and positioned them to be able to take full advantage of any project opportunities that would require large geographical remit or expertise in a range of disciplines. One participant noted:

*'We have had some funds for core costs which were helpful in keeping [employee] our fundraising manager. It's difficult to fund fundraising posts as grant funders only ever want to fund specific projects, and they see fundraisers as something that's not really necessary, even though no-one else here has the time or the know-how to do those bids. I mean, we're a youth work charity. Apart from [employee] we are all youth workers who wouldn't have the first clue about the funding stuff. Without [employee] we would be in the same boat as a lot of other voluntary organisations whose board or managers have to cobble together bids at one o'clock in the morning because that's the only time spare, whereas we are doing ok because [employee] is there to get us those core funds, plus lots of other grants.'* Participant #10

This participant clarified an important link between the receipt of core funds from the Welsh Government and the ability to continue to be an established service provider. With the benefit of core funds paying for a fundraiser's salary, the organisation was able to retain expertise that was key in generating further funds to carry out a range of projects, thus increasing expertise and/or geographical remit. Preserving and institutionalising this role within the organisation as an interface between it and the state enabled the structurally embedded organisations to further institutionalise this relationship through repeated grants and delivery. This is an example of the value of relational links proposed by Granovetter (1992), and demonstrates that the retention of expertise coupled with the on-

going relation with the state allows organisations and their representatives to become structurally embedded. Embedding is however, a progressive and constantly moving process, and requires continued capacity on the part of the organisation. If that capacity to continue embedding is there, the network links become institutionalised.

### **6.6.3 Networks as the lever of structural embeddedness**

All of the organisations successful in becoming project partners had at least one dedicated fundraising and policy post, compared to 5 out of the 9 unsuccessful organisations participating in this study (and of those 5 to have dedicated posts, two organisations were UK organisations whose dedicated posts were situated in London). The functions of this same fundraising and policy post across several different organisations also extended to becoming involved in steering groups and responding to consultation, and activities associated with these posts involved developing relationships within the network and with civil servants. These activities were considered to be essential to the success of the organisation, and all organisations taking part, both successful and unsuccessful in becoming project partners, cited networking and relationships as key in gaining opportunities. One participant noted:

*'It's essential to be seen as an expert, to be consulted before the consultation comes out. And it's essential to know what's on the horizon so you can make sure you are the first person people think about when they might have some money to give out. The best way to do this is to be as involved as possible in as much as possible. People get to know you, and then they feel comfortable coming to you when opportunities arise.'* Participant #9

Another participant felt that a lack of networking activity was detrimental to the fortunes of their organisation:

*'I try to get to as many of these events and stuff as possible but the thing is I just don't have the time and even when I do I don't know anyone. I feel like that's where I really fall down here, because you need to be on these steering groups and having drinks with people in the know, but I just don't have the contacts and I think that's why we don't get as much money.'* Participant #23

This demonstrates a clear perception by those in the network that being involved in a range of policy activities with a range of civil servants and network individuals was the best way to ensure success in gaining funding or securing a seat on a decision-making group. This echoes the assertions of Kenis & Oerlemans (2008) that interlocking provides opportunities for advancement or collaboration. From the governing entities' perspective however, the information gathered showed that it was the ability to deliver a high volume of the right kind of outcomes that was important, rather than being seen to be networking.

Civil servants were largely aware of the main organisations operating in areas where they were preparing policy, but did not believe their networking activities were the reason for their successes. Rather, they believed that these were the easiest organisations to engage with due to their previous experience and their ability to mobilise in line with policy and timetables. One participant explained:

*'Organisations that are easiest to work with do, I suppose, tend to be bigger ones, because they are able to go at short notice a lot of the time. They have the capacity and the experience.'* Participant #30

There is therefore an indication from this extract, supported by other accounts from participants, that these successful organisations were structurally embedded, having

sustained a relationship over time, mobilised quickly as a result of having been informed of forthcoming policy before other organisations, and repeatedly delivered on behalf of the governing institution. The attraction was not therefore, in their tireless networking activity, but in their track-record. Another participant noted:

*'These ones tick all the boxes. We obviously wanted more partners but y'know, WEFO intervened and we had to make it work with fewer partners. These ones were able to work nation-wide and do a lot of work. They can also subcontract. Yes we have worked with a lot of them before and that's a good thing y'know. We know they will do what they have agreed to do, and they will take care of the finances.'* Participant #2

The maintenance of good relationships through the consistent satisfactory execution of commitments was therefore clearly emphasised by civil servants as the key to organisational success in securing recurrent funding opportunities. This fits with the model of successful organisations being structurally embedded, although the emphasis is on high quality ties through delivery, rather than through networking. Those organisations that had a lot of high quality links with other organisations and were able to provide high volume outcomes were much more likely to be structurally embedded than organisations with few links or low volumes of outcomes. Figure 6.5 demonstrates how this operates.

Figure 6.5 *Ties & Outcomes*



The networking activity was nevertheless very present in all of the successful organisations, and considered to be extremely important, with multiple staff members engaging in interlocking and networking activities not only with governing institutions but within the network in order to keep abreast of all relevant developments. This demonstrates that organisations that were structurally embedded exhibited a high volume of high quality ties to the network and to governing institutions, and were more likely to engage in policy, partnership and service delivery activities than those organisations that were not structurally embedded.

Considering the discussions in this chapter concerning characteristics of organisations successful in becoming project partners and receiving funds, the below points provide a summary of the common attributes held by successful organisations:

- Large (<£500k turnover + at least 10 staff members)

- Established in it's field (at least 10 years of operation OR only organisation in a specialist field)
- At least 30% of funding from WG or linked statutory sources
- Staff dedicated to management/policy/fundraising
- Staff have good relationships with WG employees
- National remit

Whilst this is not an exhaustive list, it does highlight the key common elements of the successful partners, and provides a profile of organisations most likely to be successful in similar endeavours.

The concept of structural embeddedness discussed in this section demonstrates the extent to which relationships between the governing bodies and the network were institutionalised, and that this awarded a certain amount of power to those organisations in securing funds or partnership places in contrast to those organisations that were not structurally embedded. This answers the second key research question stated in the introductory chapter, which asked how the relationships between governing entities and the network operated, and demonstrates that the way in which they operate provides structurally embedded organisations with advantages in securing funding.

## **6.7 Summary**

This chapter has drawn out the institutional factors uncovered through the research that have shaped the programme structures and influenced which organisations would ultimately be able to compete for the funds. This section has focused upon answering the first two of the four key research questions listed in the introductory chapter, namely:

5. How did institutions and power shape the structures of the Welsh ESF programmes?
6. What kind of relationships exist between governing entities and the network and how do they operate?

The first of these questions required an in-depth investigation into the various institutional processes that impacted upon the development of the programmes. This investigation demonstrated that the EC, through a model of MLG, wielded significant agenda-setting and environment-changing power over the Welsh Government, and this shaped the Welsh Governments perception of how it should conduct the programmes. The Welsh Government duly assigned value to actions and perpetuated norms that oriented its programmes towards the perceived needs of the EC, rather than towards the needs of those organisations that would need to deliver on the policy aims. In addition to this, the bureaucratic processes institutionalised within the Welsh Government as part of the focus on pleasing Europe served to delay the programmes and further increase bureaucracy.

Retention of power over the programmes was essential to ensure the programmes were delivered successfully in line with the Welsh Governments vision, and that the EC continued to be pleased with Wales' work. In order to retain control over the programme funds, whilst conforming to requirements for programmes to fund strategic projects, the governing entities structured the programmes in such a way that largely exclude voluntary sector organisations from becoming project leaders. The principles of trusteeship were evident in the governing entities' centralisation of power both in bringing WEFO into the Welsh Government and in designing the programme requirements to ensure only the largest and most reliable organisations would be able to lead projects. Power conferred on large projects to further distribute money therefore reduced risk, as the only organisations

eligible to become project leads were likely to be state organisations. This answers the first question 'how did institutions and power shape the structures of the Welsh ESF programmes? and demonstrates clearly how process became prioritised over eventual outcomes.

The second question was largely descriptive, but necessary to uncover the existing relationships between the governing entities and the network. It was relevant to this study as any institutionalised relationships between the two environments would be likely to grant an advantage to organisations that were involved. The section on structural embeddedness demonstrated clearly that there did indeed exist relationships between the government department leading the project and organisations within the network, and showed that those organisations that were structurally embedded in the network were more successful than non-embedded organisations in gaining entry into the project partnership studied. This section demonstrated how the structurally embedded organisations were able to perpetuate their relationships with the Welsh Government and retain their positions as leading delivery agents. This answers the second question 'what were the relationships between the governing entities and the network and how do they operate? This section also raised the issue of homogeneity in structurally embedded organisations, with these organisations displaying similar characteristics. This raises important questions for organisations developing funding programmes around genuine accessibility, and provides the potential for a less diverse and pluralistic voluntary sector network.

Institutional factors and power in various forms impacted significantly upon the development of the programme structures. Certain organisations were structurally embedded in service delivery roles for the governing entities in Wales, and were disproportionately successful in becoming partners in the case study partnership. This is



however, only half of the story, and the investigation of the network context will explain why it is that other organisations were not able to overcome their lack of structural embeddedness to be successful in joining this partnership and receiving ESF funds.

## **CHAPTER SEVEN**

### **Analysing the Network Context**

#### **7.1**

#### **Introduction**

This second analysis chapter focuses on the network context that shaped the distribution of ESF funds in the Welsh network. It specifically examines the processes at work within the network which worked for and against individual organisations attempting to secure funds or places in project partnerships, and applies the theoretical framework described in Chapter Three to explain the features of the network that dictated which organisations would be able to attain places within project partnerships. The theories used in this chapter are shown in relation to the funding distribution process on the next page as Figure 7.1.

This chapter will seek to address the third and fourth key research questions, which were:

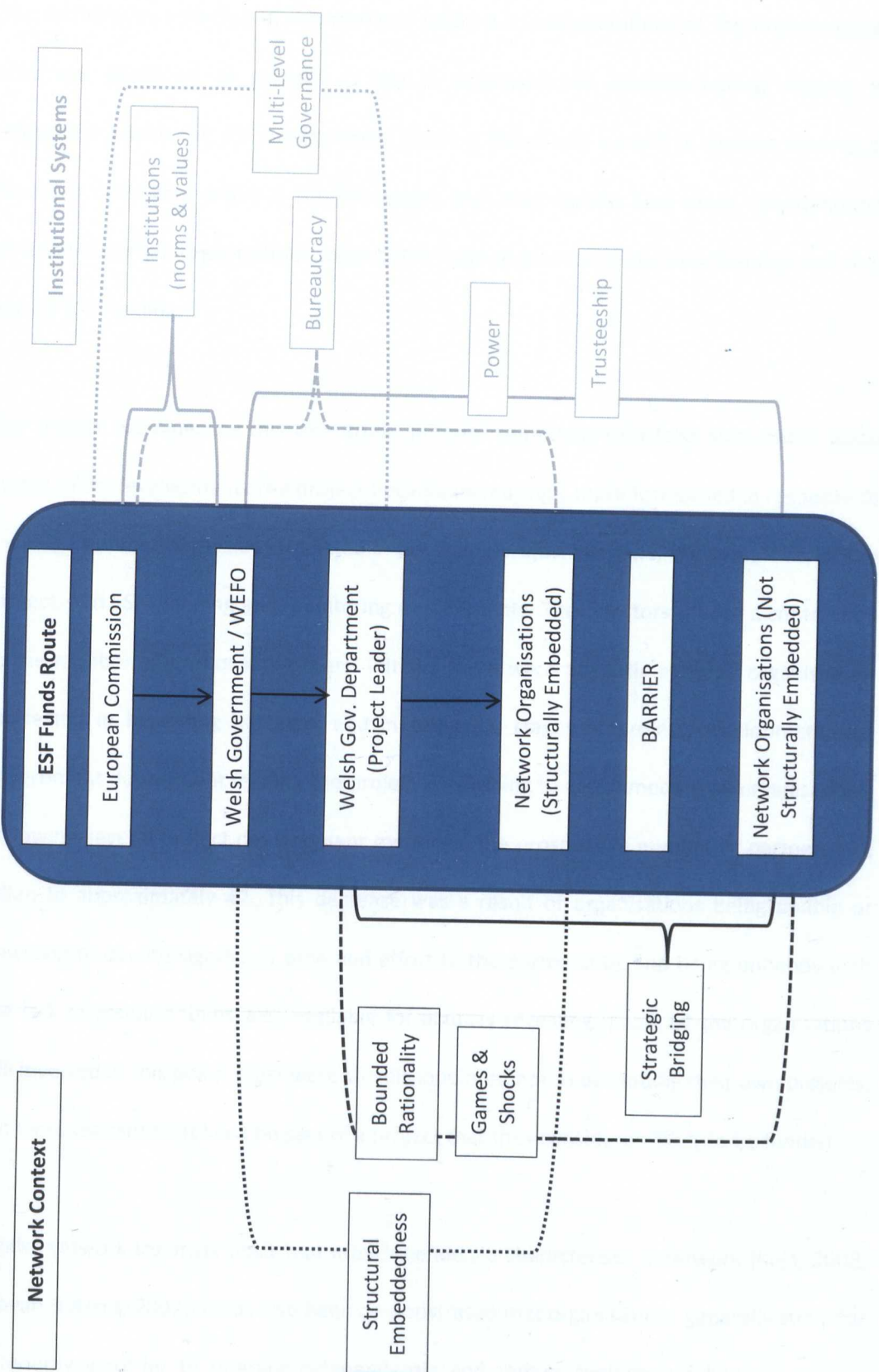
7. How do decision-making processes in networks influence how organisations are selected for funding?
8. How does organisational dominance in the network shape the distribution of funding?

This chapter begins by discussing the influence of bounded rationality in the actions of organisations in attempting to engage with the ESF funding process. This discussion demonstrates that organisations act according to their own perceptions of the network and programme structures, but that the limits of their knowledge of the variables affecting the environment push them into making increasingly defensive decisions. This encompasses a consideration of Transactions Cost Economics (TCE) which contributes to rational organisational decision-making.

The chapter then progresses to consider the outcomes of rational decision-making in the network in the form of games, and the use of power within these games to achieve organisational ends. This section identifies those structurally embedded organisations within the network that formed an upper tier that was consistently more successful at engaging in government funding programmes.

Finally, this chapter observes the downward forces acting upon the network from the governing entities. It considers how the network was subject to governance and strategic bridging models utilised by governing bodies and which monopolised funding distribution activity - ultimately selecting the organisations that would be successful.

Figure 7.1      *The Network Context*



The testimonies collected in this research pointed to considerations of the organisational cost and likelihood of success as key in organisational decision-making relating to engagement with the ESF programmes. There is therefore, a need to explore themes of bounded rationality within a TCE framework that may explain how these considerations positioned certain organisations to be better able to join the project partnership and thus secure ESF funding.

The project examined by this case study suffered something of a false start in the initial stages of its development. The project became increasingly more formalised in response to the large number of parties interested in becoming project partners, the complexity of the project, and ESF planning and monitoring requirements. These factors caused a contraction in the number of proposed partners. Initially there were approximately 90 organisations interested in becoming partners, and in the early stages of project development, the government department leading the project was willing to accommodate all organisations. Following several project development meetings, the prospective number of partners had fallen to approximately 42. This decrease was a result of organisations being unable or unwilling to devote significant time and effort to the partnership, and being unhappy with the lack of genuine timescales available for actually receiving funds. Of the organisations still involved at this point, most were still disappointed not to be leading their own projects, but were content to at least be part of a project that they considered likely to be funded.

Whilst network theorists posit that interdependence characterises a network (Klijn, 2008; Provan & Kenis, 2007), it has also been demonstrated that organisations generally strive for autonomy in order to operate independently and reduce their vulnerability to market conditions (Galaskiewicz, 1985). Within this study, all of the participants from voluntary sector organisations admitted a preference for delivering services, projects and applying for

grants or funding independently, as opposed to being part of a partnership or with a necessity to sub-contract further services. This was because organisations felt that the cost of partnership or sub-contracting to the organisation was felt to be too high as to be beneficial. One participant explained:

*'There were initially lots of open meetings all across Wales. Then quite a few more specific ones once the project had been a bit more planned. One was over two days in Aber, so I had to stay overnight. I felt I had to go to them all to keep us in the loop and to make sure we weren't forgotten about. There was also a bit of paperwork. Not much at first, but more later, and I began to get the feeling that paperwork and endless partnership meetings were going to suck up more and more of my time. At that point, I had to think quite long on how much this was going to cost because going to lots of meetings all around Wales is expensive and time consuming, and we didn't really have the money to pay for me to keep doing all that.'* Participant #18

Participants in this study pointed to the imbalance between the work required to engage and the perceived benefits as a key factor in dropping out of the process. Several participants also pointed to the procurement models of application in the 2007-2013 programmes as much more difficult to process than the grants-based system of the previous programmes, and were described as time-consuming and difficult. This raises the issue of transaction cost economics.

The literature describes transactions costs as those costs incurred in the development, measurement and enforcement of agreements or contracts (North, 1993) or the costs of doing business (Arrow, 1974). Within this case study, these costs would be incurred mostly through administrative expenditures on staff resources as a result of initial project

development activities, research, networking and drawing up project plans. All staff time committed to engaging with this project partnership was time that staff members were not spending raising money elsewhere. Therefore, the high transactions costs associated with engaging with this project and other similarly structured and managed projects directly affected the ability of organisations within the network to access ESF funds. Many organisations simply could not justify the cost of the gamble on securing entry into ESF projects.

The transactions costs associated with these sorts of activities were generally judged by the research participants as greater than the perceived benefits, and often left the organisations at a monetary or capacity deficit. Due to the incomplete level of information they held concerning their likelihood of success, organisations had to judge whether they could afford to risk carrying out significant work on attempting to gain entry to a project partnership at the expense of pursuing other funds. This supports the TCE model of North (1993) which suggests that transactions costs govern the ability of organisations to participate in transactions with other entities.

The participants in this research that were successful in gaining entry into the project partnership all indicated that they not only had previous experience in delivering for the state, but that this activity was of such importance to them that they concentrated a lot of time and resource in preserving the arrangement. Several participants indicated that income from, and delivery for, government was a key part of their operation, and that their internal structures were developed over time to best serve the kinds of contracts they were delivering. This evolution of internal processes to accommodate state funding contracts served to reduce the transaction costs associated with renewing those contracts or bidding for others, as the state's methods of procurement were generally standardised. One participant explained:

*'Once you are set up for procurement it makes things easier because contracts mostly have the same requirements. When we started winning contracts it was difficult because they were asking for stuff we didn't normally collect, but we made sure after that our standard systems collect the right information for bidding and reporting so it's much quicker for us to manage.'* Participant #7

Transactions costs associated with bidding and contracting, as well as administering them, were therefore lower for organisations that were already experienced in delivering services for governing entities. These organisations had taken the rational decisions<sup>19</sup> to orient their systems to collect information necessary for statutory sector bidding processes and to retain expertise in this, and therefore these organisations were able to put together bids and applications quicker than organisations that were not oriented in this way. A contrasting perspective from an unsuccessful organisation demonstrates this:

*'We got a bit lost with all the forms and the frameworks. There were bits I didn't really understand, and at that point there wasn't anywhere to go for help. It took me ages to put all the bid stuff together as well, because I wasn't even sure how to estimate beneficiary numbers . . . because the kind of breakdowns the frameworks had were different to how we normally keep track of our young people . . the categories and splits were different. I couldn't go back and look at last year's figures because we didn't have those kinds of figures. I had to guess in the end.'* Participant #23

This testimony clearly indicates that a lot of time was spent attempting to complete the required paperwork for entry into the partnership. This illustrates how the transaction costs of merely putting a bid together were higher for organisations not normally oriented

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<sup>19</sup> Rational choice theory states that an individual will act in a manner suggesting they are balancing costs and benefits to deduce the best strategy for achieving the biggest gain (Friedman, 1953)



towards delivery of state services. Whilst these transaction costs had not been an issue in the grants-based distribution frameworks of the previous ESF programmes in Wales in which most organisations had expertise, the 2007-2013 programmes proved different. These new frameworks meant that procurement models were being used, and that a number of organisations trying to apply would spend much more time on this than they would have done on the previous application system.

Considerations of transactions costs also emerged in conversations concerning the calculations of delivering the policy outcomes required. It was discovered through this research that organisations had vastly different costs to deliver policy outcomes based on the amount of funding already secured by each organisation. The discussion in the previous analysis chapter concerning the enhanced abilities of certain organisations to apply for funds due to their receipt of core grants to support a fundraising employee demonstrated a clear imbalance.

Organisations with different levels of funding for certain items such as fundraisers, administrative assistants, etc. had different costs associated with these posts. An organisation that already had a supported or partially supported fundraiser post for instance, would not need to claim for their time from another project they may be working on, as would an organisation that had a fundraiser that was not supported. Therefore, the costs to organisations of engaging in a project would be different dependent upon the kinds of funding they were in receipt of. An organisation receiving £40,000 per year for a fundraiser, the overheads associated with the fundraiser post and a certain number of hours of administrative support would be able to quote less to deliver a project than an organisation that must rely solely on income from delivering projects and charging each project for the time of a fundraiser proportional to the time spent on each project (a model

known as ‘full cost recovery’ to voluntary organisations in Wales). A simplified example of this is shown in Table 7.2.

**Table 7.2      *Comparative Operational Costs of Engagement***

	Core govt. grants received	Project - 520 hrs of youth work	Project cost to org.
Organisation 1	£40k p.a. for fundraiser, overheads and 10% of admin assistant	<ul style="list-style-type: none"><li>• Project application, partnership &amp; management activity by fundraiser on £10 per hour @ 4hrs per week per year = £0 (this post already fully funded)</li><li>• Administration of project @ 2.5hrs per week per year = £0 (this post already fully funded)</li><li>• Delivery of youth work hours 520 @ £7 per hour = £3,640</li><li>• Overheads for 520 youth work hours @ £4 per hour = £2,080</li></ul>	£5,720
Organisation 2	None	<ul style="list-style-type: none"><li>• Project application, partnership &amp; management activity by fundraiser on £10 per hour @ 4hrs per week per year = £2,080</li><li>• Administration of project on £5 per hour @ 2.5hrs per week per year = £650</li><li>• Delivery of youth work hours 520 @ £7 per hour = £3,640</li><li>• Overheads for 520 youth work hours @ £4 per hour = £2,080</li></ul>	£8,450

Table 7.2 clearly shows that any organisation receiving a grant for certain core functions required to execute complex projects and serve on partnership groups is at a clear advantage. This is because their project costs are much lower than those costs calculated by an organisation that must recover their full project costs through the project funds awarded. This adds another dimension to the assertion of these organisations being structurally embedded, as these organisations are establishing themselves as cheaper and

more effective than their competitors, when in fact they are able to present an appearance of value whilst receiving money for the same costs that others request through a different funding stream not taken into account at the time of assessment. One participant explained:

*'Our unit cost is lower than quite a few other organisations because some of our posts are already fully funded. I suppose I do have to admit the money's really coming from the same place, but it's coming from different departments so you can't assume that it's coming via a back door or it's unfair at all.'*

*Participant #9*

When questioned about the possibility of unit costs for projects not taking into account other funding already received, the fund administrators were less concerned with the uneven calculations, and were happy for organisations to operate in this manner as long as no funding was duplicated. One participant explained:

*'There will of course be lots of organisations that have Welsh Government grants, but these will be from different departments for different things, but as long as the rules on match funding and duplicate funding are observed, there's not really a problem. I guess you could say that some organisations might be at a disadvantage in their costing's, as you say, if they have to use a full cost recovery model, but it's not, we can't really go into all that. We have to take it at face value what their calculation for the project is and whether it's competitive. We can't choose projects that appear vastly more expensive unless there is a clear and valid reason why.'* Participant #30

Assessment of transactions costs was therefore more important to organisations that lacked funding for core or support activities involved in engaging with projects, as it was these organisations that would expend resources they did not have on applying to become part of the partnership project.

### **7.2.1    *Responding to the competition***

Transactions costs were not the only consideration that the majority of participants in this research cited as determining their strategy for engagement. Participants also explained that they would assess the likelihood of other organisations being successful, and would base their strategies on what they knew of other organisations project proposals and which individuals they believed they needed to talk to in order to enhance their chances of acquiring membership to a partnership or funding from one.

These decisions reflect the relatively rational choices made by individual actors within the network, but demonstrate the limits to rationality that exist with regard to the incomplete nature of the information concerning the transaction available to each individual actor and the cognitive limits of each individual to be completely rational in decision making. This 'bounded rationality' has been discussed by several authors going back to the 1960's (Braybrooke & Lindblom, 1963; Klijn & Teisman, 1997; Lindblom, 1979; Pressman & Wildavsky 1984), and suggests that it is impossible for any actor to possess full information on any given situation, and that they will need to make their decisions based upon the incomplete information available to them. Equally, individuals have limited ability to process the large volumes of information relevant to the issues in question, and will be influenced by more than stark figures, but also by personal preference. This relates to Table 3.3 on p 102 that sets out the trade-off between opportunisms and bounded rationality

In the Welsh context of this ESF project partnership, each actor representing their respective organisation made rational decisions to either continue engaging or to withdraw from the partnership formation process based on the limited information that was available to them, and their ability to fully anticipate the implications of it. For many participants, the final decision to continue or discontinue engaging was mainly influenced by the costs of the project development process and the perceived end benefits, as well as their perception of their own and other organisations' probability of success. Decision-makers contrasted this with their individual and organisational experience and confidence in their ability to carry out the necessary work. One participant that chose to disengage voluntarily from the project partnership development explained:

*'It just became too hard to continue without any guarantees. Yes, the money would have benefitted us if we had ever gotten it, but between the amount of fairly complicated paperwork and the distant prospect of getting money, we just thought we would pull out and stick to what we know.'* Participant #23

In contrast, another participant that was successful gave the following account:

*'We just had to persevere with the bureaucracy because we knew it would be worth it. We had all the right pieces in the right places, and there wasn't a moment when I let myself think we weren't going to get the funding.'*  
Participant #9

In the fullness of time, those organisations that withdrew in the early stages realised that they had saved themselves a significant amount of wasted time and effort given the large contraction in the size of the final partnership. The limited information available to each organisation to make decisions was however, integral in shaping the eventual partnership.

Each organisation attempted to make rational decisions, however these often appeared irrational to others that possessed different facts and perceptions. One participant explained:

*'I thought [voluntary organisation] were mad for dropping out so early, but in hindsight, we should have done the same. Instead of trying to carry on as part of the partnership after it was reduced in size, we should have cut our losses and looked elsewhere.'* Participant #18

There were a number of participants that expressed disappointment with the lack of information originating from the government department leading the project, especially at the point when the partnership was reduced from approximately 40 partners down to only 10. At the point of this contraction, there was an indication that the 10 partners would subcontract further works from unsuccessful organisations. The unsuccessful participants agreed that if they had been given more information on how the changes in the projected partnership size were progressing, they could have acted sooner in seeking funds from other sources to support the work they were doing. Instead, several found themselves in financial difficulties as a result of the delays associated with the programme as a whole opening, and the project itself applying for funding.

This section has shown that rational decision-making within the network prompted embedded organisations to orient themselves towards delivery services for the state, setting them apart from the rest of the network and reducing the transaction costs associated with delivery. Rational decision-making also prompted certain organisations to disengage from the programmes based on a lack of information that would indicate success. The result of these decisions was that only a small pool of organisations were left that could deliver outcomes for a competitive price and that could mobilise effectively and

quickly. Further barriers were discovered to be the cost to organisations of delivering outcomes. Structurally embedded organisations had lower transaction costs, and lower costs to deliver outcomes, as they were already in receipt of funds to cover many of their core costs. This provides in part, an answer to the third key research question.

### 7.3

### Games and Shocks

In addition to the individual scope and limitations for decision-making discussed in the preceding section, the organisational decision-making processes and strategies involved in the construction and implementation of policy have been referred to by several authors as 'games' with actors being described as 'players' (Allison, 1971; Klijn & Teisman, 1997; Klijn, 2008; Kenis & Schneider, 1991; Lynn, 1982; van Bueren *et al*, 2003). This is generally agreed as a consequence of the complexity of interactions and negotiating patterns characteristic of networks, and encompasses the strategies used by different actors with different motivations, based on the model of rational decision-making discussed in the preceding section. Van Bueren *et al* (2003) described policy network games as 'a series of interactions between actors that focus on influencing problem formulations, solutions and procedures regarding an approach to a specific policy issue' (van Bueren *et al*, 2003 p195). The 2007-2013 programmes in Wales would therefore constitute a 'game' in which the organisations within the network would compete for resources.

The 'new game' of the new funding programme was very different to those that had gone before, and required a greater level of commitment and attention in the early stages to understand the parameters for play and the strategies to employ. One participant noted:

*'It was all change. It was like they wiped the slate clean and started again from scratch, and all that we did in the last round didn't count for much. We felt we*

*had to get up to speed pretty quick to stand any chance of getting some funding.'* Participant #34

The proposed changes were not met with enthusiasm by many actors in the network. Indeed, the majority of participants in this study competing for funding explained at length how much the initial proposals were disliked in the voluntary sector in particular, but also amongst the wider statutory sector that operated on a local level. This was due to the move away from a structure that mirrored the grant funding application processes to a hierarchical procurement model that represented a lot of unknowns to the voluntary sector. The majority of voluntary sector participants in this study noted that they had limited experience or understanding of the processes to acquire funding that were being proposed by WEFO, and expressed concern that this would have a negative outcome for them in terms of securing similar volumes of funding to the previous programme rounds. This lack of expertise within the network caused concern amongst a number of organisations and their decision-makers, but to a small number of organisations this proved to be a positive prospect, as their experience in procurement and participation in large government-led partnerships would provide them with an advantage over other organisations in the sector and allow them opportunity to expand into areas that were the domain of other organisations in the past. One participant noted:

*'We saw this as a good opportunity. We already have people here in Wales and a big support team in England that are good with procurement and big partnerships like this, so we think we are in a good place to do all the paperwork and suffer the long waits you get with this kind of thing. It's unfortunate for the smaller charities, but we will be looking to take on some work that maybe was done by [voluntary sector organisation] in the past. It*



*makes sense for us to do it, and I don't fancy their chances of getting money this time round anyway.'* Participant #12

This participant highlighted one of two conflicting views that were provided by participants of this research, and suggested that there was a split in the network between those that felt they had the necessary expertise to gain funding, and those who felt they had been put at a disadvantage because the new processes required a suite of skills uncommon within the voluntary sector. The new rules of the game therefore, in the views of some participants, put some organisations disproportionately at a disadvantage.

As well as demonstrating the conflicting views within the network, Participant #12 also highlighted the strategy taken by some organisations to attempt to increase their areas of operation. This was clearly at the expense of other organisations in the area that were considered less likely to secure funding. A number of testimonies collected for this study alluded to organisations wanting to increase their income and geographical area of delivery directly through this project partnership. These decisions were taken rationally by the organisations based on the risk of securing funds and the perceived pay-offs of success.

Some organisations felt that designing large, national projects with a high volume of outcomes would ensure their places at the partnership table, as they would represent all eligible geographical areas and offer a range of activities. This echoes the prisoner's dilemma (Rapoport & Chammah, 1965), as shown in simple terms in Table 7.3. Whilst in reality there were multiple players approaching the competition for funds in a boundedly rational manner, a majority acting collaboratively rather than competitively could theoretically have forced the project lead to completely reject a partnership model and act solely as a procurer. Within this study, the evidence collected shows that the majority of organisations acted competitively, designing large project bids.

**Table 7.3 Outcomes for Competing Voluntary Sector Organisations**

		Player A	
		Small Project (existing expertise, local, low-volume high-quality outcomes)	Large Project (new expertise, national, high-volume low-quality outcomes)
Player B	Small Project (existing expertise, local, low-volume high-quality outcomes)	Project lead is forced either to include multiple local partners or reject a partnership model and contract individual organisation to provide low-volume high-quality outcomes	Player A's bid is chosen over Player B
	Large Project (new expertise, national, high-volume low-quality outcomes)	Player B's bid is chosen over Player A	Too many potentially attractive bids. Project lead chooses most structurally embedded partners

The competitive organisations perceived the concept of the single organisation directly carrying out a range of tasks nation-wide as more attractive to the project leader than the prospect of enlisting a large number of smaller organisations to carry out similar projects in multiple localities. This was borne out in interviews with the project leaders, who stressed that a small number of large bids was more manageable and more likely to be what WEFO wanted to see. Some participants did, however, admit that it may have been easier to start from scratch in a procurement-only role when the need arose to reduce the partnership from approximately 40 down to 10. This option was not taken, as it was felt that there was no real option to admit failure.

This section has demonstrated the resources and limits that bound the ability of organisations to act in a rational manner. Organisations, in competing for funding, attempt to make rational decision based on what they know about the environment, their competitors and what their own goals are. Regardless of competition, however, in such funding circumstances there would still be a requirement for a certain amount of

collaboration in developing the project in the first instance, and this requires a further examination of the network and the games and relationships there-in.

Collaboration between organisations has been regarded as a necessary evil, to be conducted in situations where an individual organisation does not possess all of the resources required to operate with autonomy (Huxham & Vangen, 2005). It has been proposed by authors that a logical organisational response to any kind of environmental uncertainty may be to increase inter-organisational relationships and to increase resources in order to protect the organisation from negative occurrences arising out of the perceived uncertainty (Benson, 1975; Galaskiewicz, 1985; Huxham & Vangen, 2005; Oliver, 1990; van Bueren *et al*, 2003). Several of these authors have also proposed strategies or behaviours that organisations would exhibit as a result of this uncertainty. Some of these proposed strategies and behaviours are quite similar, others not so, however there is a general agreement in the literature that uncertainty prompts organisational action. This was evident from the information collected as part of this study, with participants indicating that they became much more active in networking activities and attending events when it was first rumoured that the new ESF programmes would be significantly different to the previous ones.

Any form of collaboration would require a certain level of give and take and of negotiation, and the necessity to appeal to the interests of others to secure the items necessary for an organisation collaborating has been considered by numerous authors including Huxham and Vangen (2005) and Granovetter (1985). Galaskiewicz (1985) recognised that organisations had a reluctance to cooperate meaningfully without serious incentive, and discussed which forces would be strong enough to induce organisations to cooperate, such as resource scarcity or dependency. This is echoed by Biermann (2008) who notes that organisations generally have a preference of autonomy, and that the majority are reluctant

to give any of this up through substantial cooperation or collaboration. He similarly notes that 'strong forces are needed to overcome this reluctance' (Biermann, 2008 pp154) These forces need to be strong enough to trigger changes in working strategy and preferences. In this case study, it was considered that the significant change in the ESF funding structures administered this powerful incentive. The introduction of new funding rules into the network provided a 'shock' to the network that caused a ripple of reaction amongst its members. This shock was sufficient to impress upon organisational decision makers the need to radically alter their strategy for securing ESF funds, and their attitudes and expectations in this process. Biermann stated:

*'The more intense the shock is, the more it causes cognitive dissonance, discredits prevailing beliefs, gives rise to alternative conceptions of reality and motivates new political behaviour.'* Biermann (2008, p161)

The large scale changes in funding practice provided a moderately intense shock to the network. The evidence gathered as part of this study shows that the shock was large enough to prompt a significant increase in networking activity concerning the ESF structures amongst the voluntary and wider statutory sector. Whereas in the previous 2000-2006 programmes, organisations would act individually seeking out information and advice on an individual basis, and doing much of the project development work internally, completing all application materials themselves and submitting these in line with their own timetables, for 2007-2013 it was be very different. The Wales Council for Voluntary Action (WCVA) was quick in understanding the need for collaboration for groups to secure funding from the 2007-2013 programmes, and set up a series of information days and workshops to attempt to facilitate the development of partnership projects between the voluntary and statutory sectors. It appeared from the information provided by participants however, that

the shock to the network was not of sufficient intensity to cause wholesale changes in organisational attitudes to cooperation.

For example, according to participants, several project development sessions, including those held for the creation of the partnership, descended into irritable and uncooperative stalemates. Several organisations were also very unwilling to share their project ideas with others for fear of their ideas being poached by other projects or organisations, and there was a common feeling of superficiality concerning the partnership principles of projects that increasingly began to look very hierarchical and mandated.

However, the shock to the network in the change in funding structures provided the environmental conditions for a new game to begin. This process involved each actor within the Welsh inter-organisational network using their own strategies to position themselves favourably and improve their chances of being confirmed as project partners, giving rise to competitive behaviours and discouraging cooperation.

Games are not, however, conducted in an orderly linear fashion, and the norm would be to have several different games in operation throughout the network at any one given time, with the actions occurring in one game affecting the actions and outcomes within another game in the network (Klijn & Teisman, 1997). Even though organisations competing for ESF funds generally assigned that activity a high priority, they continued to pursue other funding possibilities in different games. Their strategies in these other games affected their decisions in the ESF game, which explained why some organisations dropped out of the ESF partnership process, and why others invested a great deal in trying to become a partner in the project. One organisation, for instance, was confident in its ability to secure funds from a private donor that would require less paperwork than the ESF monies, so this organisation was happy to exit the application process at a fairly early stage. A different

organisation, however, felt it was unlikely they would receive funding from a lottery application they had submitted, and therefore felt that the ESF partnership was their only hope of securing the funds they needed to retain their staff. These external considerations shaped their attitudes to the ESF game and again required rational, but ultimately bounded, decision-making and assessment of risk by each organisation.

Within the concept of games and the consideration of how the project was negotiated, the prisoner's dilemma again emerges to show how competitive behaviours caused blockages in the development of the project. Earlier it was demonstrated that the dilemma emerged in organisations individually viewing the partnership as an opportunity to increase domain and for the player to become more likely to be chosen over others. This involved organisations designing bids based on their perceptions of what others might do, and their chance of success. Here, the dilemma emerged later, in the face-to-face negotiation between organisations concerning how the project would be carved up, with players concerned that others would steal their ideas to incorporate into their own bids. The testimonies collected for this research highlight the strategies employed by organisations during the development of first project. Initially, when the project lead was attempting to negotiate a 40-plus partnership, there were three possible actions organisations could take with three different outcomes. These are shown in Table 7.4, and confirm that the only route to success for all organisations was to share and collaborate, to refrain from poaching the ideas of others, and to trust that other organisations would not steal project ideas in their own interests.

**Table 7.4      *Deciding Whether to Collaborate***

Player A Action	Player B, C, D etc actions	Result
Organisation shares its ideas & resources	Not all other players share their ideas & resources. Only a few competing organisations share their ideas. Some organisations steal those ideas to incorporate into their own project plans for the partnership.	Organisations using stolen ideas are successful in negotiating a partnership. Victim organisations are made redundant.
Organisation shares its ideas & resources	All competing organisations share their ideas, and refrain from appropriating the ideas of others.	Organisations negotiate a large collaborative project partnership. All organisations are included
Organisation withholds its ideas & resources	Competing organisations withhold their ideas.	No project can be built in the absence of project ideas. No partnership can be agreed.

Lynn (1981) noted that within games, organisations would seek to constrain the activities of other actors whilst maximising their own freedom to act. The desired outcomes of this strategy are to enhance one's own organisation's ability to perform any given activity and marginalise any other organisation's claims on it, improving one's organisation's chances of being awarded a contract or funds over another. This behaviour emerged in the course of developing the initial 40+ partner project. Participants in this study provided accounts of actors refusing to cooperate, sharing ideas or committing resources to the proposed project, as well as certain organisations incorporating the project ideas shared by others into their own project plans, as shown in Table 7.2. These disruptive actions contrast with the overall objective of the game being ultimately to collaborate in order to achieve the policy goals of the programmes and the specific project targets. The initial competition between the network's actors obscured the fact that it was the very dependence that the actors had upon each other to deliver on actions that they were unable to deliver themselves, that required the proposed cooperation to occur.

Van Bueren *et al* (2003) proposed four causes of impasses in network games, *social* where there exists a lack of social knowledge or trust between actors, *cognitive* where there is a

difference of belief in issues and solutions, *institutional* where cultural differences exist in which lie the potential for confusion or misunderstanding, and *network management* in which the level of management of the process is lacking (van Bueren *et al*, 2003 p207). Using this system, it was clear that in this case study, early difficulties in the project development game were the result of institutional, social and cognitive impasses. Potential partners in the project cited lack of shared aims and goals with other potential partner organisations as a key difficulty, suspicion of other organisations 'stealing' their project ideas, and noted this caused delays in moving forward with project planning and design.

A further external shock to the network occurred in the advanced stages of the project partnership formation, approximately 1 year into the planning process, when WEFO indicated that partnership projects must have a limited partnership of approximately 6 partners. This imposed another hurdle which caused an impasse in proceeding with the project development. Following the reduction of the project partnership to only 10 partners, the selection of partners chosen by the government department leading the project exhibited some similar characteristics to each other, in particular, as noted elsewhere in this and in the previous chapter, the historic relationships and financial ties between the Welsh Government and the chosen partners. Those organisations that were selected out of the 42 were those that were structurally embedded, with a long history of receiving funds and delivering services for the Welsh Government, and of being considered to be reliable and in possession of the necessary expertise.

This history of interaction in funding or contracting situations demonstrates a return to the prisoner's dilemma game, but as a repeated experiment. Through repetition, as described by Axelrod and Hamilton (1981), organisations learn to trust each other. Through repetition of the game and repetition of collaboration that results in positive outcomes for all players, organisations learn to trust each other, and develop a preference for working with each



other above other unknown organisations. This development of trust further reinforces the structural embeddedness of the organisation.

Once the second shock was administered which required a significant reduction of project partners, the organisations that were structurally embedded, and were institutionally and culturally similar were those that were retained as partners. The institutional, social and cognitive impasses were therefore resolved through rejecting those organisations that were culturally different as partners. The nature of these network games and resulting resolution to blockages in progress demonstrates that these are network factors that ultimately contributed to channelling the ESF funds in Wales to a certain type of organisation and to the exclusion of others.

This section, in addition to the discussion on bounded rationality and transaction cost economics answers the third key research question: How do decision-making processes in networks influence how organisations are selected for funding? The information presented in this section demonstrated the model of the game within the network that begins in response to a new governmental funding stream. Organisations made rational decisions concerning their strategies to engage with the partnership bounded by their assessment of the limited information they had on the situation. Some of those rational decisions resulted in disruptive behaviours by organisations that felt they would only be successful if they had a unique project idea or if they were able to inconvenience another organisation that they felt they were competing with. Some of those decisions led to organisations simply following the instructions given to them and hoping this would demonstrate their reliability. Other organisations saw this game as an opportunity to move into other organisation's spheres of operation, potentially poaching beneficiaries and increasing their power and influence in the future. Suffice to say, rational decision-making within the network led to competition, conflict and impasses in this particular game.

This section shows that in this case study, those organisations that were the most ambitious in service delivery, and the most culturally similar to and structurally embedded in the delivery activities of the Welsh Government were those that were ultimately successful in obtaining project partners status and gaining ESF funds. The shocks to the network that created conditions for the games meant that these structurally embedded organisations were more prepared for the new rules, and were better able to adapt to the new system in comparison to those organisations that were not structurally embedded.

#### **7.4**

#### **Power in the network**

The discussion of power conducted in the first analysis chapter focused on the institutional aspects of power in the structuring of the ESF programmes. This section investigates power within the network, and identifies the dominant organisations and individuals that are able to exert influence over the network and individual organisations within it. This will begin to answer the fourth key research question, which asked: How does organisational dominance in the network shape the distribution of funding?

Within this and the preceding chapter, the organisations within the network that were shown to be structurally embedded were able to engage successfully in the ESF funding programme. This was more so than the organisations that were not considered to be structurally embedded. Were the structurally embedded organisations considered to be powerful within the network as well? Or did their institutional relationships with government have no bearing on the power they wielded in the network?

Adding to the intrigue, there was at least one organisation identified that was successful in becoming a partner that was not structurally embedded. How did this organisation gain a seat at the table? And did power play a role in this?

Participants in this study were asked a number of questions relating to how powerful and influential they perceived other organisations in the network to be, and there was a general consensus that the larger, nationally operational organisations were the most powerful. This was because they could deliver high numbers of beneficiaries across all regions of Wales. Organisations that were identified as having significant portions of their funding from the Welsh Government were also considered to be powerful, as the government would be less likely to allow organisations that they had pumped significant funding into to fail. One participant explained:

*'The powerful ones are the ones with the longest and closest relationships I guess. It's not that they are all powerful and can do whatever they want or just demand a load of cash, but that I guess [the Welsh Government] has an interest in keeping them going. [Project partner] for instance, doesn't do anything really that a charity couldn't do, but its 100% funded by them as a semi-independent organisation. They obviously have [the Welsh Government]'s ear.'* Participant #31

These structurally embedded organisations that had long relationships with the Welsh Government were therefore considered by actors within the network to be 'dominant' organisations, and were perceived to wield more influence than other organisations in the network that did not exhibit characteristics of embeddedness. In the early days of the programme opening when project requirements were still uncertain, several participants admitted to 'sounding out' the perceived dominant organisations to suggest a collaborative project, where the dominant organisation would shoulder the risk and the lesser organisation would carry out some of the less attractive or 'cheap' work for the project. One participant noted:

*'It was just important to be in on a project even if you didn't really get to do everything you wanted to do or get as much as you'd hoped for, or if you had to work with the enemy and let them call the shots. Financially things were tough, y'know, the lottery funds being taken by the Olympics, and the delays between this [ESF] round and the last one. The most important thing was just to get some funds in the bank for the next few years.'* Participant #22

This initial 'sounding out' activity enabled the embedded organisations to dictate the project terms and enabled the lesser organisations to acquire some financial security, whilst relinquishing the opportunity to carry out the portions of the proposed project that would be considered more desirable. This would also have contributed to the rational decision-making processes at work in competing for the funds, and in reducing transaction costs.

The successful organisations were not, however, ultimately in a position to fully determine their own destiny or to act as lead partners for projects. Voluntary sector organisations were unable to design and lead a project themselves, due to the large financial risk associated with leading strategic and high value projects. The structurally embedded organisations, as well as the lesser organisations, were therefore dependent upon a statutory sector organisation or government department to design a project in which they could become a partner. Structurally embedded organisations were more likely to become partners, and as such, would potentially make sub-contracting decisions, providing them with a certain amount of power. However, the bulk of power in this situation was clearly retained in a centralised form by the statutory sector, as shown in Figure 7.5.

**Figure 7.5      The funding hierarchy**

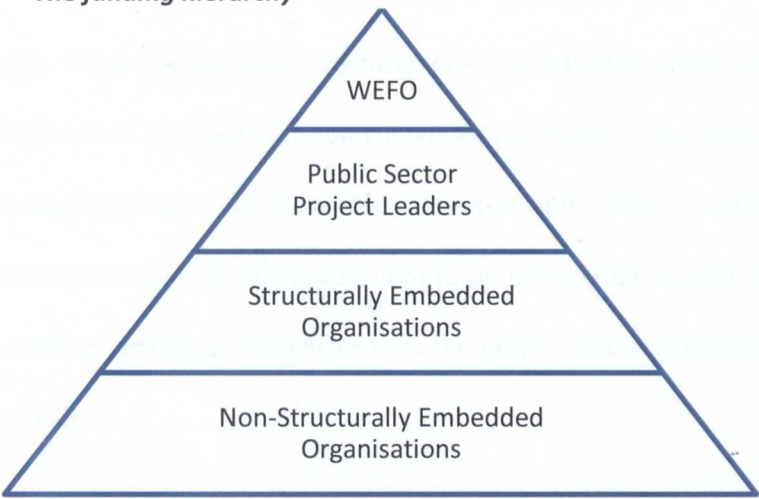


Figure 7.5 demonstrates the tiers of MLG operating within the context of this study, and also clearly shows how the trusteeship principle is used to endow certain organisations with the power to utilise resource.

The dominant organisations in this process quickly became statutory and government bodies, and the civil servants became the individuals to know and influence. Power was, therefore, entrusted to the public sector, and it was the public sector that would have the necessary dominance to determine the financial fates of a number of voluntary sector organisations. One participant noted:

*‘As soon as people got a whiff of [government department] being involved, they were all in there clamouring for attention. Poor [civil servant] had a hell of a time. [civil servant] came to a couple of events about the funds and didn’t get left alone for five minutes because everyone was making their case to be involved in this fantasy project that no-one even knew anything about yet.’*  
Participant #24

The purpose of this attention was the same as the approaches made by less embedded organisations to more embedded organisations in the initial stages of the programme.

When it became clear that it was the public sector, rather than voluntary sector, bodies would construct these partnerships, organisations immediately began petitioning the government department involved to become a named partner. This caused some issues for those actors designing projects, as they were presented with a wide pool of organisations all vying to contribute, many of whom appeared to be carrying out similar work in similar areas. This caused an increase in bureaucracy, as the project lead was required to review a high number of bids.

In its first incarnation, the case study project had 42 partners in order to satisfy the desire for so many organisations to be involved. The documentary evidence concerning the original project proposals and plans<sup>20</sup> provided a clear example of the initial project design incorporating a large number of partners and taking a three tiered (local, regional and national) approach to delivering outcomes. The project plans at this stage were not completely favoured by any of the participants, as it meant a certain amount of collaboration with other agencies, and sharing of the funding between organisations carrying out similar activities. It did however, mean that organisations had some security in getting funding, and this was more valuable to them than getting completely their own way. One participant explained:

*'It wasn't perfect by any stretch, and really we could have done a whole lot more instead of them being all diplomatic and splitting the funds between anyone that wanted to be in. But the main thing at that point was to get funding confirmed. It wouldn't have mattered that [government department] was calling the shots or that some of the other players were getting in on it too, if we had gotten funding confirmed we could have lived with that.'* Participant

#26

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<sup>20</sup> Supplied to this study under the Freedom of Information Act 2000

This coercive action by the project lead to draw all organisations into one large project demonstrates the power it had over organisations in the network, and the behaviours of the organisations in attempting to become part of the project at the expense of their own preferences confirms that powerful actors dictated not only the programme structures, but the project structures too. As a result of this power imbalance, lesser organisations attempted to conform to the structures imposed upon them, even where this was contrary to their interests.

Huxham & Beech (2008) proposed three sources of power that exist in a network or inter-organisational environment.

**Table 7.6      The Three Sources of Power**

1.	Power is held where one organisation holds resources that are desired by others, and from this the organisation with the resource possesses the power to bargain and power to control the award and destination of the resource in question.
2.	Power occurs in more formalised collaborative or partnership networks in which there is an imbalance in the dependency between organisations, possibly where one organisation may have received the resources it desired at an earlier stage, has less organisational risk associated with the outcome of the collaboration or has rule-based assurances of provision, and therefore fails to assign equal significance to the collaboration.
3.	Power can be possessed by organisations placed at the centre of collaborations or partnerships in a lead partner role, having power over other organisations in the network to dictate all terms.

These are not discrete categories, and overlap is quite likely. In relation to the Welsh network environment, the Welsh Government and its departments in particular held these three sources of power within this case study context. They held valuable financial ESF resources desirable to other organisations and were actively negotiating its distribution in the network. Their bargaining power enabled them to draw in a range of organisations that were interested in delivering their outcomes through a rule based, contractual partnership where the Welsh Government could substitute partners with relative ease if organisations failed to deliver, and held financial but not significant reputational risk.

As central actor, the government department leading the project was in a powerful position to direct work through its selected partners and through their sub-contracted projects. This is in agreement with Thorelli's concept of differential advantage (also discussed as differentiation by Barman, 2002), in which he emphasises that the centrality of an organisation places it in a position of disproportionate power. This power can be strengthened:

1. proportionate to the number of alternative sources of supply,
  2. the less the transaction costs amount to in moving between suppliers, and
  3. the larger the central organisations share of the contracted organisations business
- is

**Source:** Thorelli (1986).

Structurally embedded organisations strengthen their power in these ways, and retain their key informational positions. This runs contrary to the rhetoric evident within this study concerning inclusion of the network as a whole.

#### **7.4.1 Consolidating a favourable position**

Applying Thorelli's power-points to the Welsh context, the number of organisations expressing an interest in becoming project partners and their domain overlap demonstrates a marketplace of organisations providing similar services, from which the central actor the Welsh Government could choose. Whilst all organisations were keen to emphasise their uniqueness and difference from other similar organisations in the network in order to increase their legitimacy through possessing unique expertise (Barman, 2002), in reality, according to participants within this study, many were viewed as essentially similar organisations with similar domains. It is also clear from reviewing the annual audited



accounts of the successful and unsuccessful project partners that a number of successful organisations received significant portions of their annual budgets from the Welsh Government or other related statutory sources. These organisations were therefore acting in line with Thorelli's (1986) assertion that the greater the portion of the business that is bought by the central actor, the more vulnerable to business is to the central partner's decisions. One participant noted:

*'We get a lot of funding from [government department] and so without that we would be financially at risk. We thought it would be important to be in this partnership in case some other charity came along and got into it doing the same thing we do, and kind of, pushed us out.'* Participant #9

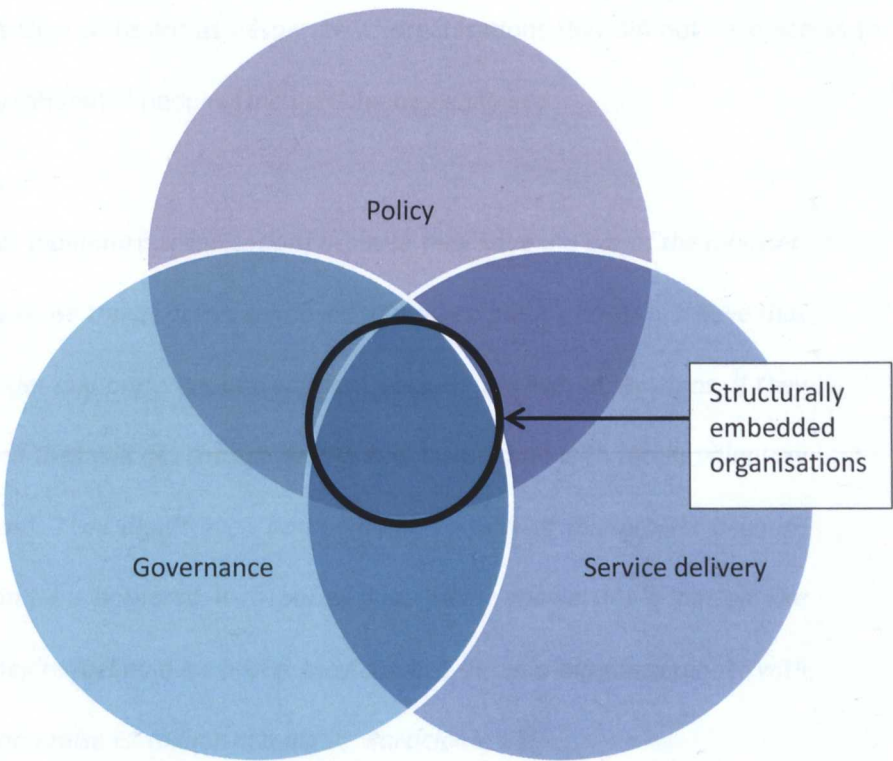
Organisations therefore felt vulnerable to any changes in the Welsh Government's approach to delivering services, and were concerned that their historic funding would dry up unless they went along with the government departments European funded projects.

Whilst it was clear early on in this research that the public sector wielded significant power over the network and was able to influence it as a result, there remained power imbalances between organisations in the network itself. The amount of power held by organisations was also found to be influential in the final selection of partners, although in a more subtle form, as was the power wielded by individuals in key positions at the interface between the public sector bodies and the network.

Within a network, different spheres will have distinct areas of activity (Klijn, 2007) and in large political and policy environments, these spheres of activity may be quite separate. It was found in the course of this study, however, that the activity overlapped, and that individuals would 'wear several hats' as one participant put it, directing service delivery one

day whilst lobbying and consulting on policy another. Figure 7.7 provides a visual concept on how the network in Wales is structured. Many organisations in the network operated within only one sphere, focusing on policy activities, service delivery activities or governance activities. However, the overlap demonstrates that some organisations operated across these themes, performing functions under each theme. Organisations falling within this overlap tended to be larger organisations with a number of staff dedicated to each area, and managers working with an overview of these areas. These organisations were more centrally located within the network with a higher number of links and relationships, and were identified to be the structurally embedded organisations.

**Figure 7.7      *Structurally Embedded Organisations in the Network***



This research found that actors operating in these central and overlapping roles possessed a higher degree of power and legitimacy than many of those in singular roles further out from the centre. Based on this and other factors cited in the research, this analysis indicates that it is this power and legitimacy of the structurally embedded organisations that

influenced the decisions taken by the government department leading the case study project in selecting its project partners. Through the course of this research, several participants discussed their perceptions of actors within the network as 'having the inside track', being 'the usual faces' or 'having friends in high places', and this would suggest that these individual and organisational actors possessed a certain power and legitimacy.

The participants in this research each identified organisations within the network that they believed were more powerful or dominant, and discussed features of this power as having greater informal access to influential people outside of the voluntary sector network, such as politicians and civil servants that were in key positions to influence policy or funding. The perception on the part of the more peripheral organisations was that organisations with this level of power could pick and choose which initiative or funding programmes to involve themselves in, as they were not as desperate as organisations that did not have access to these supposedly influential people. One participant explained:

*'It's easy for [voluntary organisation] because they have the ear of the minister, and I know those things aren't supposed to matter, but it's hard to believe that they don't get any preferential treatment because of their connections. If they turn up then they will get chosen over us any time. Same with [other voluntary organisation]. They didn't even bother trying to part of this project because they couldn't be bothered with partnering. When you've got a patron like theirs, if they're feeling a bit broke, they can just throw a big fancy dinner with him there and raise £1 million in a night.'* Participant #19

This ability of powerful organisations to pick and choose which funding to pursue did appear to be corroborated by a participant from the second organisation Participant #19 cited. They noted:

*'Well, I went to the first couple of meetings as you know, but you could tell it was going to take ages and be complicated. We really didn't need the money that much so we decided it wasn't worth our time to carry on with it. I'm sure if we had wanted in then we would have been able to squeeze in, but it really seemed more trouble than it was worth.'* Participant #21

Power is not only an over-arching or macro level concept, but permeates the meso and micro-levels of the network through individual actors. But it is a continuum rather than an opposition between the levels. One aspect of micro-level power exhibited in this case study that did not correlate with the macro level perspectives on power discussed earlier in this section is that of individual power or authority evident at the micro-level. Participants noted that one or two of the project leader's choices of partner organisation appeared odd or slightly different to expectations given the eventual apparent criteria used for selection. These organisations did not quite fit the macro level power model of possessing one or more of Huxham and Beech's three proposed sources of power, and did not appear to be centrally located within the network. Instead individual actors within organisations appeared to have possessed micro-power, and had significant influence over the entry of certain organisations into the partnership.

This micro-power is according to Huxham & Beech (2008, pp567), 'available to those who are involved in the setting up of an inter-organisational entity through who they choose to invite and the way they ascribe identity to them'. This emphasises the fact that the government department leading the project not only wielded power as a structural governing entity, but that its individual civil servants held the power of agency in designing the project and dispersing information about it to potentially interested parties. The civil servant in charge of the project had the power to exclude organisations merely by

designing the project to require only nationally operational partners, for instance, or by forgetting to include a certain type of activity within the project brief.

Once the network is operational, micro-power is then available 'to those who arrange the timing, location, format of and paperwork for meetings, to those who have been tasked with carrying out a particular activity . . . to those who have the authority to sign off funding' (Huxham & Beech, 2008 p567). This again reinforces the power individual civil servants had over which organisations would be able to engage with the project development. If all meetings were, for instance, held in Cardiff, this would be likely to have excluded the majority organisations based in North Wales that may have been unable to afford to send an employee down for several meetings. Similarly, if civil servants in these positions did not particularly like certain organisations, they could merely 'forget' to put them on an email distribution list that would keep organisations up to date about the project development. There was no evidence that this was the case, however the possibility of such an act occurring remains.

Individual actors did, therefore, have significant power over the eventual choice of partners through subtle mechanisms. This micro-power was certainly held by the main project leaders, and to a lesser extent by individual actors in organisations within the network in their ability to influence others with relevant power to influence the project design and partner selection.

The micro-level power held by those organisations that were unlikely but successful partners originated from the identities ascribed to them by the project leader, in which they were selected on the basis of minor criteria because they possessed skills or expertise that were unique within the network. As an example, this meant that Project Partner #4, whilst perceived by participants to be on the periphery of the wider inter-organisational

network, and largely focused around a completely irrelevant age group to the project, was rewarded with a seat at the table. This was due to this partner possessing a rare store of expertise in a very specific area relevant to the policy aims of the programme. It was the only actor operating in its domain, and therefore had no competitors that may have challenged its membership in the project. This casts a new light on the question of organisational dominance influencing membership of the partnership. Whereas the structurally embedded organisations were organisationally dominant within the network, Project Partner #4 held complete organisational dominance over its domain. This, it was clear from the evidence collected, was equally as important a factor in its receipt of a seat at the partnership table.

This section has shown that the public sector held significant power over the voluntary sector network in terms of being able to design projects and select partners. This power was explicit and overt, and the structures implemented made it necessary for network organisations to utilise their own power resources in order to be selected as a project partner and thus be almost guaranteed funds. These elements of power used by the network organisations tended to be more covert and subtle. Whereas the power awarded to the public sector organisations was structural and hierarchical, the actions taken by organisations in the network involved power being used in a more fluid way. Organisational position and dominance in the network was inextricably linked with its structural embeddedness, and individual actors used their personal and professional links to attempt to influence decisions taken by the public sector in choosing organisational partners.

The information presented in this section provides a base to answer the fourth key research question, as it has identified the dominant entities and the network organisations with high degrees of power, and has suggested that these dominant organisations were also the

structurally embedded organisations with a high number of links inside and outside the network.

## **7.5**

### **Governance or Strategic Bridging?**

In order to fully answer the fourth key research question, which asked how organisational dominance in the network shaped the distribution of funding, it was necessary to investigate how the project lead (a government department) inserted itself into the network to design its project and select its partners. It was also necessary to examine the behaviour of partners in further procuring services as directed by the project lead, as the behaviour of partner organisations further impacts if and how organisations within the network that were not project partners were able to secure funds.

The influence of governing entities over network environments was discussed in the literature review in terms of governance, network management and strategic bridging. This section will demonstrate that whilst a model of governance was detected within the wider, more general network, it was in fact a model of strategic bridging that emerged as structuring the project lead's approach to project design and partner selection. This strategic bridging model went beyond the 'lighter touch' method of governance. The government department leading the project became a direct dominant influence in the fortunes of voluntary organisations due to its near-monopoly on ESF funding for youth activities and its ability to determine which activities would be funded, and which would not. Organisations unsuccessful in joining this project did not have any easy alternative routes to obtaining ESF funds for their work.

As a department of government, the project lead had prior to the development of the case study project, exhibited behaviours associated with governance. It had previously been

involved in overseeing distribution of ESF monies through the 2000-2006 programmes, and was responsible for managing a wide range of programmes and initiatives for young people. These activities bore the hallmarks of governance activity, as they served to exert the government's authority and preferences beyond its organisational boundaries, and institutionalised relationships through awarding funds and sustaining relationships. These had historically however, been through procurement or grants streams, and had been conducted at arms-length. Crucially, the difference in the project compared to the previous methods of activity was the more direct interference within the network in attempting to build a large number of organisations into one coherent project. One participant noted:

*'[government department] have always been a big influence over the sector. Grants programmes and the CYPP stuff and the like. There were smallish pots of money here and there, and they would have different themes of work running that different charities would consult on or get involved in. But this time they didn't just have a call for proposals and whoever wants money submits a proposal. This time they got stuck in and tried piecing all of us together into one massive project even though we have all got different ideas about the best way to work with young people . . . and some of us don't even want to work with each other. And I think personally, and this is just me, but it felt like we were being rounded up and herded into one direction.'* Participant

#28

It seems, therefore, that whilst there was a clear model of governance in place in the past, the inception of the new project took the behaviours of the project lead beyond governance into a far more directing and hands-on role. The accounts examined in the 'Games & Shocks' section of this chapter alluded to the need for the project lead to assume this more authoritative role in the network to draw organisations together, to determine a



way forward, and to reduce disruptive behaviours. This highlights a tension in the way in which the project was conceived and planned by the project lead - as inclusive and participative, and how it came to be operationalized - as centralised and authoritative.

### **7.5.1 Strategically bridging?**

The concept of a central broker, trustee, mediating entity or strategic bridging organisation that exists not only manage or govern the interactions within the network, but to shape activity and create the conditions for cooperation has been cited by a number of authors (Brown, 1991; Gray, 1989; Lawrence & Hardy, 1999; North, 1993; Waddell & Brown, 1997; Westley & Vredenburg, 1991). The centrality of any organisation acting as a strategic bridge would logically be positioned by its activity in a wide variety of domains, and the strategic bridge would need to exert sufficient power over the domain to be targeted in order to coerce stakeholders into acting with it instead of against it (Lawrence & Hardy, 1999). Brown (1991) has produced several papers on this theme, and provides the following description and assessment of a strategic bridging organisation:

*'As a central actor among diverse constituencies, the bridging organisation potentially has great influence over events. It can be a conduit for ideas and innovations, a source of information, a broker of resources, a negotiator of deals, a conceptualizer of strategies, a mediator of conflicts. By the same token, the bridging organisation is subject to many conflicting demands from its diverse constituencies. Its central position is strategic for catalysing the growth of new institutional arrangements, but the position also makes it highly visible and vulnerable to political and economic pressures from constituents or other actors.'* Brown (1991, p5)

The attractions of the strategic bridging model in developing a large and potentially multi-party project are therefore numerous. In occupying this central role in which the strategic bridge is afforded the power to broker effectively, they are able to use their considerable influence to direct resources and institutionalise new or existing relationships. It was this central directing role of the project lead coming from within the network that was identified by participants in this research as far more intrusive than governing activity normally conducted by this particular department. One participant explained:

*'The project didn't really feel like our own. It was all coming from [project lead] and it felt like we were square pegs trying to fit into round holes at some points. I understand of course that all the ESF this time was going to be collaborative, but to be honest it felt more prescriptive. And because of that, what we were putting forward felt more contrived.'* Participant #9

Another participant talked of the central role of the government department as the project developed, and its lead as 'stifling', noting:

*'There was more direct involvement with [government department] this time, definitely. They had a clear idea of how they thought they could crowbar money into the sector, and theoretically all we had to do was sign up. It was all top-down pressure though. There was nothing organic or innovative being talked about, and the further along the process went, the more stifling it became between paperwork, requirements, the extra guidance and [government department] in the middle of it all calling the shots.'* Participant #17

There was therefore, a clear intrusive dimension to the presence of the project lead developing the project in far closer proximity to the network than had previously been the case in its normal governing role. This 'stifling' environment created by the project lead's need to design a large project with (initially) 42 partners within a certain time frame meant that some organisations struggled to keep up. Three participants admitted to having a lack of understanding of how the project was even going to operate, and a few more alluded to having some concerns about what they were going to have to do. The organisations that were successful in gaining entry into the partnership were, however, not amongst those suffering confusion. These successful organisations did acknowledge the complexity of paperwork and measures for the project, but did not admit to experiencing any difficulties with it.

The role of the government department leading the project as a strategic bridging organisation placed on it the responsibility for mediating between potential and eventual project partners, defining the extent or domain of the project to encompass both the interested organisations and the programme requirements, and facilitating the partnership process from beginning to end, as described by Brown (1983). This was essentially a process of creating institutional arrangements within the wider network and for the final project partnership. The project lead, through its mediating and development position, was responsible for creating norms within the network, for setting out rules of engagement and for enforcing those for the overall good. This altered the attitudes, strategies and perceptions of actors within the network, and had a long-term impact upon how engagement with ESF was conducted.

With the government department leading the project acting as a strategic bridge, this provided it with direct influence to determine spending a significant amount of the ESF monies that were to be distributed within Wales for activities for young people. It was not a

monopoly, as other awards would be made to projects by WEFO, but it would have been unlikely for other organisations to gain funds for alternative provision in this area. This model is at odds with that proposed by Lawrence and Hardy (1999) who argued that a true bridging organisation should be slightly outside of the central nucleus of multi-sector or government activity, and that it is between the centre and the edge of a domain of activity that the strategic bridge is required to be located in varying degrees. This may be true within the international development and aid context of their research, however within this study, the dual faces of the project lead as that of government department and central mediator or strategic bridge fits well when seen as an intermediary between WEFO and the network.

Looking beyond the detail of the bridging status of the project lead, Lawrence and Hardy's (1999) three-tier typology of bridging organisations can be used to understand how the project lead operated. These consist of:

- a *centre extension* which is very much aligned with government norms and structures,
- a *border federation* which is aligned closer to the edges of the targeted domain and is less structured or hierarchical and;
- a *pure bridge* which is located mid-way between government and the edge of the network and with a combination of features and an emphasis on facilitation and mediation.

**Source:** Lawrence and Hardy (1999)

The centre extension type of bridge is defined by its proximity to government and its bureaucratic nature. It is hierarchical with a strong focus on rules, structures and norms, and is powerful enough to impose these norms on those engaging with it. This model shows

that the government department leading the project was in its capacity as a strategic bridging organisation, acting as a specific type of bridge that uses a certain language and set of procedures and processes. The more a bridging organisation resembles the centre extension model, the more likely it will be to impose hierarchical and bureaucratic norms and rules on the network. Within this research, it was clear that because of the project leads status as a government department, there was effectively no distance between the structures of government and the values and norms of the department.

Lawrence & Hardy's model also proposes that whilst this organisation will have an established legitimacy in terms of power and mandate, it will hold less legitimacy to act for those organisations on the borders of the network, as these perceive it as inaccessible and unrepresentative of their needs or concerns, and will find it difficult to work with the structures imposed. This was borne out in this study, with smaller organisations in particular citing the size of the bureaucracy as 'out of touch' and 'failing to understand' the realities of service delivery. One participant noted:

*'We are smaller than a lot of the other organisations, and we are more specialised . . . Our kids might not turn up. We might say we expect 50 per year to do 20 hours with us, but they might only end up turning up for three or four hours each. [Government department] doesn't understand that. These are really the kids that they need to be working with, but because they don't fit into these tidy boxes, we are unlikely to be able to get the funding because we can't guarantee anything.'* Participant #26

Another participant concurred, explaining:

*'[government department] did their best with the project, but it shaped up as a fairly typical big project with partners that are essentially sausage factories. We are more holistic, and hence, we didn't really see being involved as a viable option. It would have been a lot of paperwork and stress, and it really wouldn't have fit with our way of doing things.'* Participant #19

These testimonies demonstrate that Laurence and Hardy's centre model was confirmed in this case, and show that the project lead had weaknesses in acting as an effective and inclusive strategic bridge because it failed to accommodate the service delivery challenges facing some network organisations. This failure can also be linked back to the earlier assertions in this and in the previous chapter that these smaller or less central organisations were not structurally embedded. As a result, these organisations lacked institutional relationships with the project lead that would possibly have served to overcome the lack of understanding exhibited.

One of the first actions the project lead took was to standardise processes, plans and outcomes for projects across all those organisations that had submitted project ideas. Many organisations operated very differently, with different age groupings, definitions of outcomes and standard hours, and these needed to be reconciled to develop a coherent single project. In this way, the project lead structured a large and mostly inclusive partnership in the first instance that would directly encompass all those actors within the network that had an interest in becoming a partner and receiving ESF monies.

Standardisation is a common tool used by hierarchical and bureaucratic organisations, in particular to reduce risk or system instability (Lawrence & Hardy, 1999) but also is perceived to be an efficient and economic strategy. Strategies of standardisation involve the gradual institutionalisation of activities through placing value upon them that goes

beyond technical or immediate value (Selznick, 1957). In order to plan and manage the project, which in its initial stages was of considerable size and value, the project lead organised the partnership into national, regional and local tiers, and required all interested parties to attend project planning meetings and to complete project planning forms, consisting of one brief project plan, and later an extensive project plan and budget. Copies of these items<sup>21</sup> and show that the project lead required all potential partners to break down their project into objectives, targets, activities, tasks and to break down projected budget costs over 3 years. The requirements were for a standardisation of project activities across the partnership that would require common monitoring, measurement, management and accounting activities within each organisation. One participant highlighted the importance of this to the bureaucracy:

*'It's a massive project. Especially in the beginning when there were so many partners. I know organisations grumbled about having to fit their activities into different categories and whatever, but when you've got 40-odd organisations all doing things differently and submitting forms with different measures and age ranges and whatnot, you need to find some way of bringing it all together so we can actually know what we are planning on doing and how we will manage and monitor it all. Otherwise it would have been an almighty mess.'*

*Participant #4*

This importance attached to standardisation is another key feature of the centre extension form of strategic bridge, and this testimony demonstrates the way in which institutional and bureaucratic values and norms were incrementally embedded within the project structures and requirements.

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<sup>21</sup> Released to this study under the Freedom of Information Act 2000

The final reduction in partner numbers to 10 from the 42 that continued to be interested, as detailed in the previous chapter, was carried out as a result of both the complexity and difficulty of managing such a large project, coupled with new guidance and restrictions on partnership sizes imposed by WEFO. As described in earlier sections of this chapter, this provided a secondary shock to the network and changed the game from one with purely collaboration-related competitive considerations to one where collaboration was essentially removed in favour of a hierarchical model, and where less than one quarter of interested actors were able to participate.

This meant that the majority of organisations within the network would miss out on gaining funding directly from WEFO. The project lead was careful to point out that there would be opportunities for sub-contracting works directly from the partner organisations once the funds had been provided, and that in this way the ESF monies would still theoretically filter down to the local and regional organisations within the network. At this point, the project lead was very specific about its wish that no organisation would be hurt by their lack of partnership status, and that organisations missing out on partner status would in all likelihood be able to carry out their work as a sub-contractor rather than as a partner. One participant explained:

*'It was important that the third sector still got a bite of the apple, even if we couldn't gather them together as project partners as such. We were aware we had raised some hopes with the original project design, and we couldn't be seen to be turning our backs on people. That's why it became mandatory for partners to contract some of the work they were taking on out to smaller organisations. So that they still got some money.'* Participant #30



It was, therefore, not lost on the government department leading the project that a certain amount of disappointment would arise out of the failure of the initial project partnership, and it was clear that they intended to develop an additional structure through which ESF monies would filter to smaller organisations through procurement by project partners. How then, did they determine which organisations would be partners, and which organisations would have to wait for the procurement opportunities to arise?

### **7.5.2 Defending the criteria**

The final choice of partners was made by the project lead without representations from interested organisations. Participants indicated that those selected were chosen because they had national remits, had relevant expertise necessary for the project and were able to produce high outputs. The assertion of the project lead was that the selection was in no way subject to favouritism or due to certain organisations having more dominance or importance. Participants from the project lead rejected any suggestion of making strategic choices with regard to wanting to direct money to certain organisations. One participant explained:

*'There was no conspiracy, we just looked at the options on the table, and decided which were a good fit with the slimmed down version of the project. We needed organisations that could work on a national basis, that could handle the paperwork and the finances, and that could bring something fairly unique to the table in terms of expertise . . . The national aspect was key really, as there were no other organisations that were truly national.'* Participant #4

The 'national' element was important, as this helped to keep partner numbers down. If one organisation could achieve outcomes in its domain across the whole of Wales, this meant

that only one partner was needed for that particular outcomes, rather than three or four that operated on a local or regional basis. This rationale was however, challenged by several participants that were unsuccessful, and who argued that the partners chosen were not at the time 'truly national' at all. One participant argued:

*'[project partner] for instance isn't national at all. They have one centre in Cardiff, and a smaller one up in North Wales. How does that make them national? Oh they say that in the project they will hire lots of people to be a travelling circus around all the Welsh counties, but they will still be based in those two centres. How does that make them more national than us, when we have three centres around Wales in which we serve individuals from lots of surrounding counties?'* Participant #22

Another reinforced this, saying:

*'There are at least two partners who have nowhere near a national remit. Nowhere near. Now, I know in their project applications they said they wanted to be operating nationally, but they don't right now. And that's where the greatest unfairness is. If we had known when we were developing our project ideas that only the national ones would go through, well we would have designed a project with more outreach to make it national. It would have been easy to do.'* Participant #32

There was therefore, some conflict between the perception of the project leader of the remit of partner organisations, and the perceptions within the voluntary sector. The non-national status of some of the partners was identified in the research preceding the interviews, and this was raised in conversation with the participants from the governing

department leading the project. These participants explained that the organisations chosen were considered the most suitable and sound to entrust the delivery of the project aims to. One explained:

*'The point with these is that the projects were going to be national, and these organisations seemed realistic and low risk. These organisations of course have a lot of experience between them, and have the match funding as well. A lot of these lot we have worked with before, and as Welsh Government, we think we can safely say that these are the right ones for the job.'* Participant #6

The requirement for 'national' projects and the decision on 'the right ones for the job' demonstrates a clear membership strategy employed by the project lead in defining the domain for the project and determining in the medium term which the key organisations operating in those areas would be. The project lead was able to exercise its own legitimacy in deciding who these key actors would be ('as Welsh Government, we think we can safely say that these are the right ones for the job'), and in turn this legitimised those key actors to act in the targeted areas, as asserted by Lawrence and Hardy (1999).

As explained by participant #30 in an earlier quotation, those organisations chosen as partners were advised that, due to the project leads desire for a certain amount of inclusivity with the wider network, all project partners would be required to have an element of procurement written into their projects. In theory, this would mean that the sums partners would be allocated would not be 100% theirs. They would have to use a portion to procure services from smaller organisations.

The organisations successful in becoming a project partner were therefore entrusted with the further distribution of this funding, and placed in a very powerful position. The

legitimacy bestowed upon them by their selection, coupled with the significant injection of funding they would receive as partners, solidified their status as key players and dominant organisations within the network and granted them the power to influence the distribution of their share of the ESF. This goes beyond the governance principle of drawing in external organisations at arms-length, as relationships were institutionalised, centralised and 'locked-in' to the partnership in order to exert power beyond the defined parameters of government. The procurement principle does, however, provide an example of a governance model, as the activities of non-partnership organisations are influenced through sub-contracting. Through this cascade of funds, a lower tier of governed network emerges beneath the project partners. The dominant organisations that are partners were awarded power and influence over the fortunes of smaller organisations through their decisions on how to use and/or procure with their portions of ESF grant. As a result, the influence of government stretched down through the structurally embedded project partners to the smaller organisations below.

### ***7.5.3 The driver of retaining resources***

Whilst the procurement principle was described as a non-negotiable feature of becoming a project partner, in reality, none of the partners took this principle to heart when re-drafting their project plans. All of the participants in this study admitted to being quite tokenistic in 'bolting-on' a small amount of procurement to their projects, and this reinforces the view that it was dominant organisations that ultimately decided which organisations would be successful in gaining ESF funds - even where those organisations were not in the partnership. One participant admitted:

*'We did the absolute bare minimum in planning for procurement. At the end of the day, we want to keep as much funding in house and deliver these outcomes*

*ourselves because this money keeps us going. I mean, why would we want to go giving out hard won funding to organisations that we compete with? We essentially just bolted-on a small amount of donkey work to procure. At this point we are only just getting going so that may even fall by the wayside at a later date if we are lucky.'* Participant #8

This testimony clearly suggests that dominant organisations, reinforced in their positions in the centre of the network as a result of their partner status, were not intending to carry out the activities they had been empowered to undertake. Whilst not all of the partners explicitly stated their plans for procurement, all of the interviews with partners indicated that they were not terribly enthusiastic about procuring work from other organisations. The principle of entrusting large sums to organisations to cascade down through the network was clearly not fully monitored (at this stage of the project at least). Even where projects were procuring, they were procuring token pieces of work or 'donkey work' that would not necessarily be worth the time it took smaller organisations to bid and win the contract. The lack of scrutiny of these procurement plans meant that organisations were unlikely to be pro-active in distributing their portions of funding further down the food chain. The project partners used the power they had over the funds to retain them, rather than disperse them, and this was another example of dominant entities ultimately determining the success (or failure) of organisations in gaining ESF funds.

This section contributes to the previous section on power in answering the fourth key research question, which asked how dominant entities ultimately determined the success of organisations in gaining ESF funds. This section used themes of governance and strategic bridging in order to understand how the project lead, a government department, conducted itself in developing its large project. It was identified that, as a strategic bridge, the project lead behaved very much in line with its institutional norms and values, and

began a process of centralising, structuring and standardising to build the project it wanted. This eventually led to the rejection of smaller or more holistic organisations in favour of structurally embedded organisations with similar values and institutions already in place. The project lead was the dominant entity in this process, and therefore ultimately determined the success of those organisations that would definitely receive ESF monies.

This section explained that following the confirmation of 10 project partners, the project lead made a clear effort to find ways of channelling funds to organisations outside of the final partnership, and relied on its partners to do this. The partners however, proved reluctant to procure outcomes they believed they could deliver themselves, and these decisions meant that ESF funds were not likely to cascade further down the network to other organisations.

## **7.6**

### **Summary**

This chapter has shown that there were a number of factors at work in the network involved in this case study that created an environment in which only a small number of organisations were able to become partners in an ESF funded project or to receive funds from the 2007-2013 programmes in Wales.

The chapter began by asking the following key research questions:

3. How do decision-making processes in networks influence how organisations are selected for funding?
4. How does organisational dominance in the network shape the distribution of funding?

The third research question was considered using bounded rationality and transaction cost economics to explore how organisations viewed their environment and planned their strategy around this. An exploration of the information collected using the concept of games and shocks to the network also reinforced the processes of rational decision-making in the network and demonstrated how impasses in the development of the project occurred. Finally, the evidence collected showed that it was the organisations that possessed institutional links to governing entities, were larger, were able to wait for impasses to be resolved, to absorb shocks and to respond to government requirements that were the organisations best placed to compete for ESF funds.

In answering the fourth research question, the power held by the project lead and the dominant organisations within the network was explored. It was clear that the government department had a near-monopoly on distributing funds for this particular area of work, and so was in the most powerful position to coerce network organisations into complying with its plans. Dominant network organisations further attempted to assert themselves through any influential channels they had.

Whilst the initial inclusive project plan would have seen the funding distributed quite widely within the network, the shocks applied to the network by WEFO in the form of partnership size limitations meant that the organisations successful in becoming project partners were drawn from a small pool of trusted organisations with similar characteristics and values. The same organisations in fact, had existing relationships with the Welsh Government and had the capacities and expertise to engage in this process with relative ease, in comparison to smaller or less centrally located organisations that have a higher proportion of non-statutory funding. The conditions imposed on the network and the eventual selection of partners with existing institutional ties to the Welsh Government

demonstrated that it was the project lead, as the main dominant entity that ultimately determined which organisations would be partners and would be guaranteed a share of the projects funds awarded. Further to this, the duty placed on each partner to procure a portion of outcomes afforded the partners dominance within the network. Their use of this power to retain the bulk of funding for themselves again demonstrated how dominant entities influenced the process of funding distribution, and ultimately determined the success or failure of organisations in gaining ESF funds.



## **CHAPTER EIGHT**

### **Overview and Implications**

The purpose of this concluding chapter is firstly, to review the questions asked in this study and demonstrate clearly how they have been answered using key theoretical ideas, such as MLG, institutional theory and network theory. The first part of this chapter will briefly review the details of the case findings, will consider the relative importance of the themes used in the theoretical framework, and will reflect on the contributions of the study to the academic field.

Secondly, and most importantly, this chapter considers the implications of the research conducted and its findings. There are three main implications for this study – policy implications, implications for further research, and implications for developing theory and contributing to the literature on MLG, institutional systems, structural embeddedness and strategic bridging. These are considered individually and demonstrate how this study raises a number of questions in all three areas.

#### **8.1**

#### **Summary and Overview**

This thesis has presented a case study of the development of a funding programme and a voluntary and public sector project partnership constructed for an ESF funded project in Wales. The analysis of the case shows that the manner in which the funding instruments were constructed had a clear impact upon how well organisations were able to access the funds, and dominant organisations in the public and voluntary sectors were shown to ultimately dictate the successes of certain organisations in gaining funding.

### **8.1.1 *Reviewing the arguments***

This thesis was divided into two main parts. The first part, chapters 1-5, set out the theoretical framework using the research question:

‘How do institutional factors and network context affect funding distribution and the composition of partnerships? How can this be demonstrated using ESF in Wales as a Case Study?’

This first part of the thesis provided an overview of the literature on MLG, institutions and networks, and identified a lack of a suitable single theory that would model the processes influencing the eventual destination of funding originating from governing organisations. Whilst MLG, institutional theories and network theories were useful in attempting to understand specific pieces of the process being studied, gaps between the themes existed, making it difficult to understand processes that spanned several themes. Overlapping the literature helped to shape the study, provided a theoretical and contextual basis for the research to be carried out, and supported the rationale and procedures involved in the methods chosen.

The second part of the thesis, chapters 6-7, analysed the evidence collected, and aimed to answer the research questions using the empirical evidence collected. A key finding highlighted in chapter 6 was the emergence of institutional behaviours and bureaucratic rationale as a basis for shaping funding programmes, with the main government organisational focus being oriented towards increasing legitimacy, which meant that development of programme structures to achieve policy aims became secondary. This chapter demonstrated The analysis that structural embeddedness characteristics such as relational ties and informational links (Kenis & Oerlemans, 2008) were key in organisational

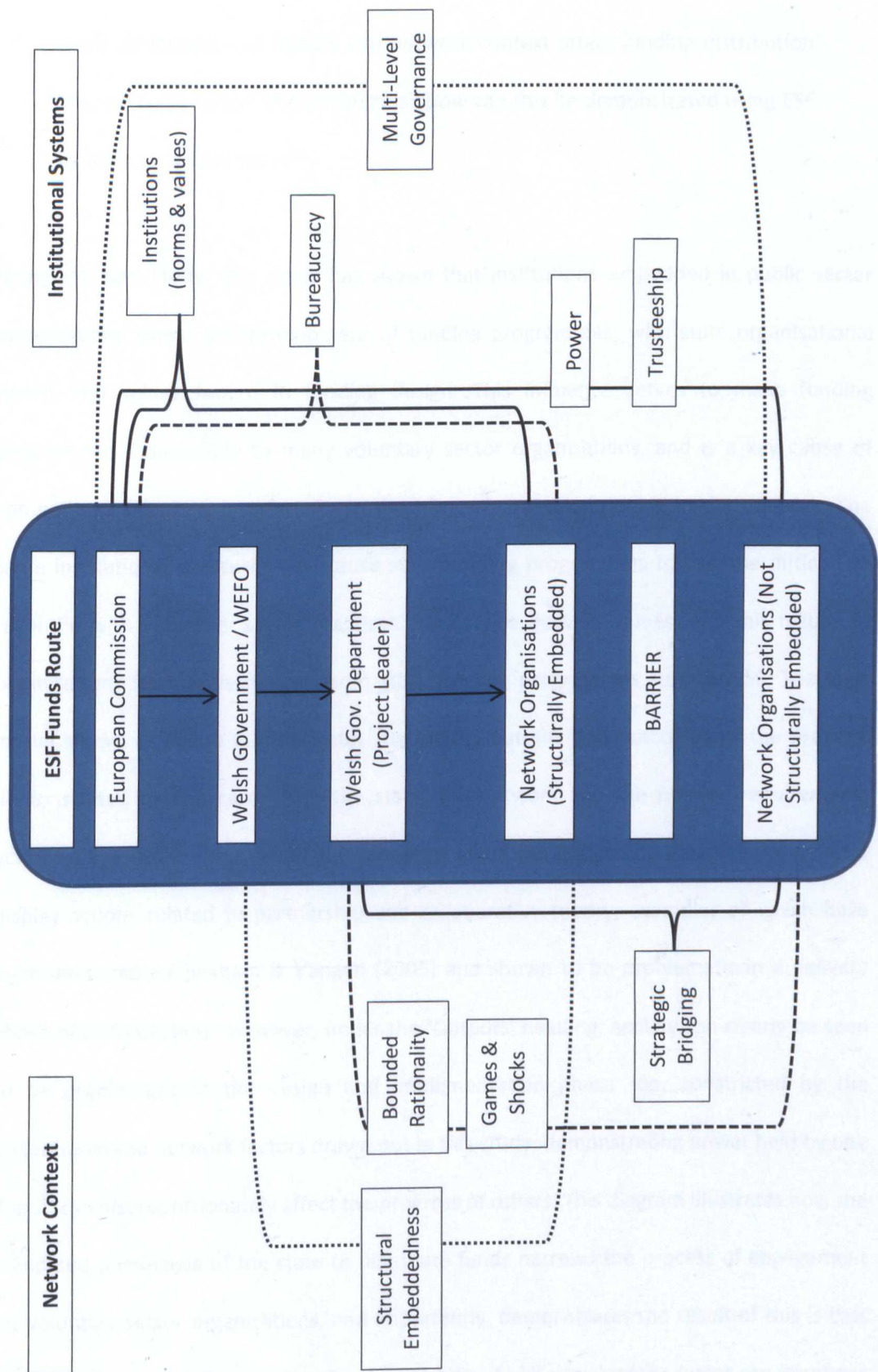
success in securing funding, thus supporting the theoretical framework used to analyse the interface between the state and the network. This mainly evidences correlates with the expectation in literature, such as Hager *et al* (2004), that structurally embedded organisations would have an advantage, but the trusteeship principle clearly emerges here too, demonstrating how programmes could be restricted to organisations with the perceived ability and reputation to deliver. Further analysis demonstrated the operation of game theory and bounded rationality in determining organisational engagement with funding streams, and determined that the largest and most structurally embedded organisations were the most resilient to competition and blockages in the network, which in part supports the findings of Hager *et al* (2004) in confirming structural embeddedness as a key to success. The analysis also established a point at which traditional notions of governance as described by Rhodes (1996) and Stokes (1998) no longer held true to the case, and the activities recorded clearly manifested as a strategic bridge role, with the government directly involving itself in the network and dictating partnership membership. The account and analysis in Chapter 7 demonstrated how, through structurally embedded and mandated positions, dominant organisations ultimately dictated which organisations would be successful in gaining funding.

### **8.1.2 Answering the research question**

The analysis carried out has answered the four key research questions noted in the introductory chapter. It is now time to turn to the over-arching research question, and show that the answers to these four questions have provided the knowledge necessary to answer it as well. Figure 8.1 shows a final version of the theoretical systems and ESF funding process diagram that has been built throughout the thesis. This diagram exposes the complexity of the process studied, and clearly shows how institutional and network factors overlap to influence funding distribution, demonstrating this in the context of

ESF in Wales. Importantly, it shows the full breadth of MLG which affects every stage of the funding process, right down to the local level, which is rarely picked up in key MLG works such as Hooghe and Marks (2001) and Gualini (2004), with Bache (2008) being an exception, but not addressing the issue deeply. The diagram illustrates a vital overlap in institutions, structural embeddedness and bounded rationality/games, which creates favourable conditions for structurally embedded organisations, but contributes to creating a barrier to non-embedded organisations. This conforms with Kenis & Oerlemans' (2008) assertion that ties between organisations in structural positions perpetuate between each other, and builds on Hager *et al's* (2004) findings, which suggested that multiple areas of embeddedness in the network and with government would improve organisational survival. Importantly, the diagram identifies a barrier in the cascade of ESF funds to the wider network of non-structurally embedded organisations, highlighting the importance of strategic bridging, trusteeship and network games in building this barrier, and identifying an area in which there has been little exploration in the literature. Westley and Vredenburg (1991) indicated that strategic bridging only occurred when motivation to collaborate was low, however the analytical framework in Figure 8.1 goes some way to contesting this in light of the mandate the state had to proceed, and the bottom-up interest from the voluntary sector identified in the analysis. Indeed, the diagram illustrates how key strategic bridging activity can be in determining organisational success in gaining funds from government when put side-by-side with the effects of structural embeddedness. This diagram also highlights the relative importance of the institutional systems, which permeate through the entire process, and contrasts this with network themes, which occur only towards the end of the process, and are potentially less influential in determining the final destination of funding.

Figure 8.1 *Network & Institutional Themes and Barriers in the Funding Process*

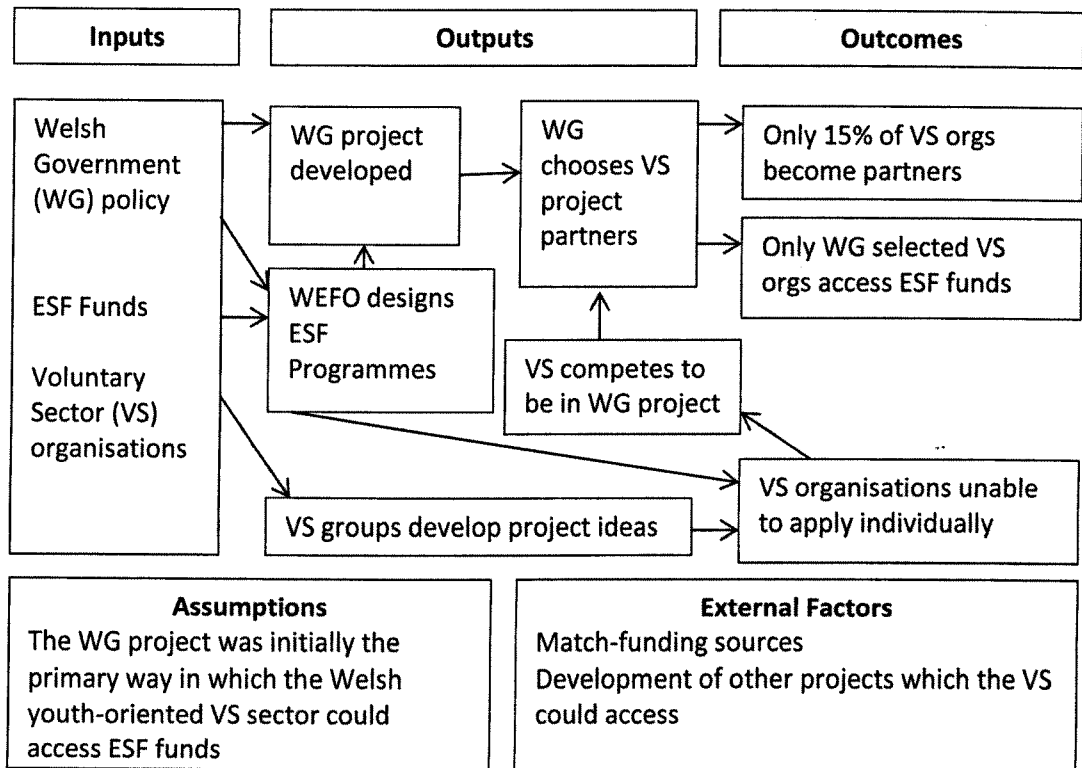


The main research question was:

‘How do institutional factors and network context affect funding distribution and the composition of partnerships? How can this be demonstrated using ESF in Wales as a Case Study?’

Using the case study, this thesis has shown that institutions embedded in public sector organisations shape the development of funding programmes, with state organisational norms and values rooted in funding design. This influence serves to make funding programmes inaccessible to many voluntary sector organisations, and is a key cause of competition and state interference in the form of strategic bridging in the network. The same institutional pressures also cause state funding programmes to become difficult to reconcile with voluntary sector practices and service delivery values, and this results in organisations feeling disengaged from state funding programmes such as ESF. The logic model shown as Figure 8.2 illustrates the inputs, outputs and outcomes of the process, demonstrated by this case. With the state, the network and the funding requirements acting as the three ‘Inputs’ into the model, it could be argued the diagram should next display actions related to partnership and collaborative theory, examples of which have been discussed by Huxham & Vangen (2005) and shown to be problematic in a delivery phase of collaboration. However, under the ‘Outputs’ heading, activity can clearly be seen to be problematic in the design and implementation phase too, constricted by the institutional and network factors drawn out in this study, demonstrating power held by one ‘Input’ can disproportionately affect the progress of others. This diagram illustrates how the mandated dominance of the state to distribute funds narrows the process of engagement for voluntary sector organisations, and importantly, demonstrates the result of this is that ‘Outcomes’ will then be negative for the majority (85%) of voluntary sector organisations originally interested.

**Figure 8.2** *Outcomes of the Implementation of the Funding Structure*



In this particular case, the games played, and the necessity for a strong organising entity within the network, affected the course of the funds from the bottom-up. This evidenced and reinforced the competitive and disruptive behaviours described in the game and network literature, and echoes the resource dependency arguments of Benson (1975), Galaskiewicz (1985) and Oliver (1990). However, the causes of this overlapped with the bounded rationality concept. The course of rational organisational decision-making to achieve optimum ends, as described by Williamson (1985), was shown to cause disruption in the network in attempting to develop a project beyond the individual organisational strategizing associated with resource dependency theories. This in turn caused a social, cognitive and institutional impasse in the network, and as shown by Westley and Vredenburg (1991), the only way forward in such a situation is for a strong authority to intervene and direct activity itself as a strategic bridge – a concept that goes further than the traditional notions of governance described by Rhodes (1996) and Stoker (1998). This

finding suggests a need to re-evaluate ideas of governance by the state, to consider how such activity is reconciled with the current understanding of the boundaries between the state and the voluntary sector. Reinforcing the importance of ties and informational links highlighted in the structural embeddedness literature (Hager *et al*, 2004; Kenis & Oerlemans, 2008), the case demonstrated that the retention of structurally embedded organisations in partnership by the government came at the expense of organisations with low levels of ties and relationships. This thesis has shown that the structure of funding programmes - impacted as they are by institutions, and competition within the network – unbalanced it is by the dominance of public sector and structurally embedded organisations, serves to direct state-distributed funds firstly to dominant organisations (primarily public sector), and secondly, to dominant voluntary sector organisations. In practice, this means that partnerships will be largely led by public sector bodies, and that partners will be structurally embedded, established organisations, with existing institutionalised ties to government.

### **8.1.3 Reflections & Contributions**

The use of the multi-theory framework in building and conducting this study provided for a number of overlapping ideas to be considered. Key themes were MLG, institutional systems and network systems, and underneath these, a number of linked ideas relevant to specific activities within a funding process, such as transactions costs and strategic bridging. Whilst the use of these ideas was rationalised and justified within the literature review and theoretical framework, not all theories of the framework contributed equally to the understanding of the case. Reflecting on the theoretical ideas used to conduct this study, the analysis conducted demonstrated the greater significance of institutional and MLG factors in determining funding, in comparison to the network factors studied, such as the game theoretical concepts. The network themes were very useful in viewing the process



through another lens, and highlighted key factors such as how bounded rationality explains organisational approach to funding, and how strategic bridging enables the state to reach more deeply into the network. However, the institutional themes provided a greater contribution to the literature, on MLG and institutional theory in particular, in illuminating the operational difficulties embedded in state funding to the voluntary sector. For example, the shape of funding programmes was shown to have resulted from institutionalised norms, rules and relationships, with the direction of pressure operating hierarchically from the state downwards. This finding complements the arguments made by Hooghe and Marks (2001) for type II MLG as a fluid, policy-focused pressure. Additionally, bureaucracy was a particular influence on the shaping of programmes, and this supports the assertions made by du Gay (2000) in this being a key driver for hierarchical control.

Themes such as governance and strategic bridging were shown to reinforce and perpetuate these institutions, and this is evidenced in the comparative importance of structural embeddedness in determining organisational dominance and success in gaining funds, over purely network considerations such as competitive games. Indeed, this case has illustrated longevity of relations with the state as a key feature of successful structurally embedded organisations, disputing the work of Hager *et al* (2004) who proposed that organisational state funding receipts were not a factor in organisational longevity. Similarly, the overarching concept of type II MLG proved highly relevant in explaining and assigning importance to institutional behaviours within government that would impact funding distribution in the network much later in the process. This highlights an important point for policy-makers in targeting funds, in particular, funding from supra-national sources, as this study suggests that the institutions and values of intermediate organisations may warp the path of funding. Very little exists in the literature that explores this from an institutional/MLG perspective, and this case highlights the need for such exploration to take place.

One of the key contributions this thesis has made is to demonstrate that the final destination of large funds is likely to be largely determined long before the funds are released into the network and that this is related to MLG and institutional factors. In contrast to a perceived and desired impact of network participation by the voluntary sector in Wales, this thesis has shown how type II MLG is a much greater influence in the distribution of funding, and that current understanding of the effects of type II MLG may need to be expanded and further investigation carried out to identify whether the findings of this case are replicated. Although the findings from the thesis come from a single case, they suggest that the institutions developed to facilitate funding to the voluntary sector are affecting the network in a detrimental way, e.g. through structurally favouring a certain type of organisation. This thesis also contests the view of Hooghe and Marks (2001), who suggest that MLG is at its weakest in implementation phases of European programmes of activity. Indeed, this study demonstrates that MLG is very strongly exhibited in the implementation activity of programme design through institutionalised channels and in line with organisational norms and values. This is evidenced by this case's identification of organisational legitimacy as a driver for structuring implementation programmes, and highlights the need to reconsider how MLG is currently accepted to affect national and regional implementation processes.

Another key contribution this thesis makes that clearly supports the governance and strategic bridging literature, is to highlight a grey area between the two concepts. This thesis identified activities conducted by the state that clearly went beyond what would traditionally be considered to be 'governance' activities (Rhodes, 1996; Stoker, 1998). These were intrusive activities within the network, and the state clearly acted in a directed, specific and authoritative capacity, characteristics of mandated strategic bridging as described by Brown (1989) and Westley and Vredenburg (1991). However, an argument

could be made that strategic bridging is simply a more aggressive form of governance by the state, and this thesis suggests it may be necessary to expand current notions of governance to encompass this.

These contributions have a number of implications for the future use and development of theory in these areas, and these will be further considered in section 8.2.3.

Finally, this research has provided a detailed and critical study of a distinctive case. The situation of the case in the Welsh context provided not only a rich description and analysis of a policy-focused funding process, but it also allowed for key insights into how a sub-state nation acts in a regional capacity in a supra-national framework. Whilst an identical case is unlikely to be found elsewhere, similarities could well be found in other regions and sub-state nations in Europe and internationally. The effects of MLG on regional/sub-state policy implementation discussed in this study would be particularly relevant to such other contexts.

## **8.2 Implications**

This research has a number of implications not only for policy in the way in which funding is targeted and distributed, but also for how organisations in the wider network are engaged in policy and delivery activities. There are also implications for further research in this area, and for the development of theory as a result of the theoretical framework used within this study.

### **8.2.1 Policy Implications**

The findings of this research concerning funding distribution have serious implications for policy makers and programme development teams, as they suggest that funds are not being fully oriented towards achieving the policy goals they are set up for as a result of institutional pressures. This research is relevant, in particular, to other nations in receipt of ESF funds. This thesis clearly showed a dysfunctional attitude within the Welsh Government towards the EC which impacted upon the development of the funding instruments. The Welsh pre-occupation with its status and stature within the EU displaced the focus of the ESF programmes, and it is quite possible that this has occurred in other EU regions. Writing in 2012, the crisis in Greece suggests similar, if amplified, dysfunctions between the front a state presents to the EU and the reality of its ability to deliver tangible outcomes. Greece may be an extreme example, but it is clear how state ambitions can spiral out of control, and this research shows perhaps a first step in that process which should act as a warning to the Welsh Government.

Further, this research highlights the complexities of the funding requirements set by the EC and the difficulties in interpreting those requirements at the level the funding programmes are developed and managed. It is unlikely that Wales is the only region in which funding has appeared to be channelled to a certain type of organisation, and it is quite possible that similar structures are in operation in other EU countries. This research could illustrate the areas in which difficulties may be experienced and highlight potential behaviours that may be exhibited by organisations attempting to engage in the distribution of ESF funds. Ultimately, if similar dynamics are occurring in other regions of Europe, then a wholesale exclusion of key areas of the voluntary sector is occurring, and with that, the Fund is alienating the very organisations that are key to achieving the policy outcomes of the ESF. If this is indeed happening, and if it has been for a long period of time, then this may indicate

one of the reasons why many ESF recipient regions are unsuccessful in pulling themselves above the 75% average GDP threshold for receiving the funds.

This research is also relevant to the Welsh Government's strategy in dispersing funds to achieve policy goals. The issues experienced by WEFO and the institutions shaping the programmes served to direct the funds towards a very specific type of organisation in Wales, and these organisations in turn, deal with very specific types of beneficiary. This research found that organisations dealing with beneficiaries that had higher than usual support needs were more likely to be excluded from the programmes due to their higher unit costs, their lack of structural embeddedness and their inability to guarantee a certain volume of outcomes.

Exclusion of organisations dealing with the hardest to reach beneficiaries that are the target of such funds, suggests that policy aims will experience failure, as those most in need are not reached. Regardless of how high level policy is worded, if the institutional culture funnels funding towards a particular type of organisation, and this organisation in turn recruits a particular type of beneficiary in order to achieve its contractual aims, other organisations and the beneficiaries they serve will fail to benefit. This means that the ESF programmes in Wales are more than likely to experience some failure, meaning over £1 billion in ESF funding has been used ineffectually.

This research should highlight to the Welsh Government, in its structuring ESF and other funding distribution programmes, that greater consideration should be given to how organisations can access funding. No organisation has a right to funding, but organisations delivering high-quality outcomes may become marginalised or cease operations if they are structurally excluded from receiving funding that could support and increase the outcomes they achieve with their beneficiaries. Better drafting of policy documents, programme

funding requirements and monitoring and evaluation measures could alleviate barriers to engagement, and increase the quality and diversity of work being delivered in the wider statutory and voluntary sectors.

Final implications of this research for the Welsh Government, National Assembly for Wales and related Welsh bodies are those that point to their somewhat 'self-conscious' culture. It is difficult to argue with the Welsh cultural desire to be well-regarded amongst its peers in Europe. However, the extent to which this emerged as a preoccupation has been shown here to have very wide-ranging effects upon the policy aims of the programme. In particular, organisations operating with a different culture were not able to engage with the funding. This is despite some of those organisations reporting very positive long-term outcomes with the target beneficiary groups. Conversely, some organisations churning out a high level of potentially lower-quality outcomes were found to engage better with the funding distribution structures.

At the time of writing, Wales appears to be on course to receive another tranche of Structural Funds for 2014-2020. This indicates that the aims of the programmes were not fully achieved, and that two ESF programming rounds totalling 13 years of funding for Wales had not successfully addressed the social and economic disadvantages in the country. Considering this lack of achievement, and the inability of certain organisations to engage with the process, it could be argued that the programmes have not, thus far, directed funds to where they would achieve the best, long-term outcomes. This research should serve to warn the Welsh Government against a repetition of the programmes developed for 2007-2013.

It is outside the scope of this research to answer whether funding directed towards other organisations would achieve better programme aims. It is possible to propose, however,

that the Welsh administrations should take a longer-term view in terms of impressing Europe, and focus on getting the best long-term outcomes, rather than having the most attractive short-term paperwork. Surely, the most impressive action the Welsh governing bodies could take in Europe would be to pull the region's average GDP above 75% of the European average, demonstrating the programmes had worked and that the funding was no longer required?

### **8.2.2 Further Research**

The findings of this study have implications for further research, and prompt consideration of a number of areas that are worthy of investigation. The further research discussed here would strengthen the findings of this case study and provide a deeper understanding of how the systems studied work and what pressures act upon them.

The choice of a single case study method to investigate a complex, vertical process spanning two different environments meant that this research lacked a genuine comparative element (Yin, 2009). In order to strengthen the findings of this research, a comparative study would provide a clearer picture of the institutions governing the funds and the competitive environment in which dominant organisations are able to secure the funds. A study of two other partnership projects in this programming period in Wales would provide a solid base for proving the assertions made in this thesis, whilst a comparative study that included partnership projects from other regions would be fascinating in highlighting the differences and similarities in approach to the same overarching policy requirements. Another comparative approach would repeat this research under the next programming period of 2014-2020 and identify how structures and approaches change or remain.

One interesting point detected in this research was the ethical considerations surrounding the position of a government department as a strategic bridge. In looking at the field of new institutional economics, North (1993) noted that mediating entities can facilitate the development of rules for interactions in the network. In this case study, the government department leading the project was located in the centre as a strategic bridge between the bureaucracy of WEFO / the Welsh Government and the network of organisations. This situation posed some ethical dilemmas. The government department leading the project was not a neutral actor in this network, it was a Welsh Government department. It already, to a certain extent, governed all activity in this area. Was it right for it to then be placed in a position where it was able to monopolise funding that historically by-passed it and went directly to organisations that perhaps worked outside of its favoured policy areas?

Gray (1989) proposed that such a central broker or mediator should be a neutral actor, but did accept that mediators are not necessarily completely disinterested parties, and that they may have something to gain from their participation. Westley & Vredenburg (1991) alternatively proposed that the central broker could be purposefully motivated or lack neutrality whilst still maintaining effectiveness, and that they may become a strategic bridge to forward their own agendas. It would be interesting to study the ethical considerations of this strategic bridge position further, and to investigate whether the strategic bridge or its favoured partners would benefit disproportionately from its position as decision-maker. This research would investigate whether the acquisition of ESF funds and partnership project was a vehicle for gaining funds for an existing policy area that would not fall foul of additional requirements. This would also investigate whether the funds acquired and distributed to organisations replaced core or similar grants historically awarded to them by the Welsh Government. The findings of such research would cast further light on how Structural Funds are spent, how they support the policy aims of the



government, and whether they are genuinely additional or whether they are simply absorbed into planned activity.

Another area holding the potential for further research centres around the increases in bureaucracy for dominant organisations, and how this increase may lead to them becoming uncompetitive over time as their procedures are institutionalised and transaction costs increased. The partners within this study were required to standardise their outputs and outcomes for monitoring purposes, and this process of standardisation, centralising and streamlining project activities demonstrates the institutionalisation of the partnership within the network. Whilst in the early phases this provides the chosen partners with stability and funding, the pressures placed upon them by the Welsh Government, WEFO and the project lead concerning the execution of their areas of the project meant that each individual organisation's bureaucracy was noted to have increased to meet the requirements. Where this occurs, some authors (e.g., Parsons, 1954; Thorelli, 1986) propose that this will negatively affect their competitive advantage, leading to a cyclical arrangement of the network, where different organisations enjoy success periodically before being relegated for becoming too expensive, allowing a smaller and more agile organisation to take their place. It would be interesting to return to this partnership two to three years after the initial data collection to uncover how the burden of bureaucracy attached to the project has affected the partners, and examine whether this has resulted in an increase or decrease in their transaction costs and competitiveness.

Considering the European dimension to this study, further research to discover whether the Welsh findings are replicated in other similar European regions would not only be very interesting to conduct, but would be important in discovering whether other countries experience similar issues. This form of comparison could strengthen findings in this study concerning the institutional context in particular, and would uncover whether the ESF

regulations were interpreted and implemented similarly in other regions. Examination of other regions would possibly produce a less parochial view of ESF funding distribution, and would remove some of the 'noise' associated with studying a small, interwoven community in which a short period of research cannot possibly uncover all of the allegiances or historic issues. This research would conduct similar studies in other regional administrations to uncover differences or similarities in the programme development and funding distribution processes. Should the Welsh findings be replicated, the data would support a powerful argument for reform of the administration of one of Europe's most significant funding mechanisms.

The political dimension associated with this study would provide another rich area for exploration into the influences acting upon the distribution of ESF funds in Wales. The complexity of the process of the negotiation and development of the ESF funds in Wales relevant to this case meant that the significant political elements having a bearing upon this research were not able to be taken into account in this study. This study was not able to take into account the political negotiation of the funding programmes at supra-national level, nor was it able to delve into the political dimension at regional/national level between the UK government and the National Assembly for Wales. However, research in this area using approaches such as paradiplomacy (Aldecoa, 1999) to further explain the themes of power and legitimacy identified in this study as significant in shaping the distribution of funding could produce an extremely interesting dimension to this issue.

### **8.2.3 *Theoretical implications***

The development of the complex theoretical framework for this study, as a result of a paucity of other obvious frameworks, in addition to the findings of the research, prompts a considered discussion of the theoretical implications of this study. This case has highlighted

a gap in the theoretical landscape to sufficiently understand processes of funding development and distribution, in particular in an MLG context, and provides a first step in attempting to fill that gap.

Following a review of a wide range of literature, no existing framework for investigating a process such as the one studied emerged as an obvious solution. As such, this research chose to knit together a number of theories to illustrate the institutions and bureaucracies that shaped the programmes and the institutionalised relationships between the public and voluntary sector. This was a very complex, multi-theory solution to the process being examined, and prompts the questions 'could there have been a simpler method?', 'how did the method used contribute to theoretical knowledge?' and 'if there was no simpler method, shouldn't the study have focused on only one aspect of the process?'

In answering the first of these questions, the literature review of this thesis should demonstrate the difficulty of finding a single theory to encompass the development and distribution process of ESF funds. Concepts such as governance could have been argued to provide a better single model to understand the case studied. The difficulty with governance was considered to be in its lack of ability to explain an institutionalised focus, and its inability to illuminate the themes of power and legitimacy that were evident in the development of the funding structures. This difficulty with governance as a single explanation was further highlighted in the more direct and hands-on approach taken by the project lead, that went beyond the accepted definition of governance. An argument could be made that this was simply a more aggressive form of governance, however, the aspects of programme development and the institutional aspects of the study should refute such an argument. A more effective method was to utilise a number of overlapping theories to fully understand the process.

Considering this refutation, and the second question concerning this thesis' contribution to the theoretical debate, it is logical to ask whether this study actually challenges the established parameters of governance. The findings of this study should provide food for thought. Governance, as described by Rhodes (1996), Stoker (1998), and Kooiman (2003) is arguably the closest model to explain many of the themes in this study, in particular the blurred boundaries between government and the network, and the notion that interactions between government and civil society are fluid and participative. The findings of this research should prompt some debate about the accepted boundaries of governance and whether these need to be expanded to give greater consideration to the institutions shaping active governance. Expansion of these parameters could produce greater understanding of vertical processes between government and the network, and could illuminate how institutional pressures impact governance activity several steps removed from those pressures. This would build on the work of Ansell (2008), Borzel & Risse (2004), and Leach *et al* (2002) in illuminating the interface between state and network, and in identifying how intrusive governance activity could affect individual organisations and the plurality of the voluntary sector.

Continuing the consideration of this thesis' contribution, the research required a certain level of innovation in bringing a range of concepts together, and has made links between some of these concepts that are not apparent in the literature at the time of writing. Notably, this study has shown how MLG and strategic bridging are related vertically through a funding distribution process, and that MLG, through strategic bridging activity, not only affects the actions of state bureaucrats, but the successes of organisations attempting to engage with state funding programmes. Whilst this is only one case, this finding has implications for how strategic bridging activity is conducted in environments affected by MLG, and revisiting categories of strategic bridging such as those put forward by Lawrence and Hardy (1999) in the context of MLG environments would further our

understanding of local consequences of supra-national policy. Other questions raised by this research concern the discreteness of strategic bridging in relation to governance. An overlap in the concepts was identified in this study, and their characteristics are similar enough to question whether strategic bridging is merely another form of governance.

To answer the third question, it is necessary to ponder more on the purpose of research. Should a process or phenomenon be avoided simply because it is very complex? Scholarly and academic investigation and debate have always involved complex problems and complex solutions. If something is worthy of investigation, the complexity of the thing should not be considered a barrier to this. It was clear from a very early stage in the literature review that no individual aspect of the process or single theory would be sufficient to understand what was occurring at any one point. The complexity of the processes and the diagram shown previously in Figure 8.1 should serve to highlight both how the development process and the distribution process are inextricably linked, and how those processes cannot be seen through a single lens. Rather, theories were seen to emerge in several areas, and systems operating at each point of the development and distribution process could be anticipated to overlap and interact in uncertain ways.

Rather than select one aspect of the process which would perhaps be manageable, but less useful, the decision was made to attempt to use multiple theories to understand the whole issue. If such difficult questions are not explored, and if new theoretical frameworks are not constructed to address these questions, the acquisition of knowledge will be limited. The theoretical framework and subsequent analysis contained in this thesis should demonstrate this method was difficult, but effective, in examining the processes studied. This thesis demonstrates a clear, unique solution to the problem of investigating complex systems, however, this is limited due to the context in which the study is embedded. The framework developed for this study was designed specifically with the Welsh context in mind, and is

unlikely to be completely suited to a different environment. Further work is required in this area in order to develop simplicity in the solution developed in this thesis, and to enable replicability of the framework to other environments. This thesis provides a solid basis for pursuing this activity.

### **8.3**

#### **In Conclusion**

This thesis has produced a unique critical narrative of the development and distribution of ESF funding in Wales. It has shown that seemingly fair and transparent programmes developed to target some of the most socially and economically disadvantaged people in Wales did not disperse funds to all of those voluntary groups that may work with these individuals. Government preoccupation with power and legitimacy served to influence the development of funding structures in such a way as to exclude organisations that did not have institutional links and which were not dominant in the network environment. Instead, organisations that had consistently worked with the Welsh Government in the past were once again awarded a seat at a table from which they would benefit financially and through further strengthening their ties with the dominant entity.

Funding decisions then, are not merely made on the basis of an application form, but are affected by the structures put in place before the application form is even developed, and organisational success can be judged before a project idea is even conceived. Ensuring all organisations have access to the application materials, and that they are in English and Welsh, does not necessarily make the process 'fair' or 'transparent', as the need for good relationships with other organisations was paramount in even getting a project idea off the ground.

Ultimately, institutional factors and the competitive network environment had a far greater impact upon a voluntary organisations ability to engage in the ESF programmes of 2007-2013 than any efforts to make the programme materials accessible. It will be interesting to see the next incarnation of funding programmes in 2014-2020 in Wales, and to observe how the structures change again. Most of all, it will be intriguing to observe which organisations are awarded funding in these new programmes, and whether this next programming period will be the last for Wales as a recipient of the greatest level of support from the ESF.

# **APPENDICES**



## A History of the ESF

The European Union (EU) has its origins in the post-war years of the 1950's, and its initial goals centred around free trade in coal and steel. Its policy making activities have however, grown to encompass agricultural, monetary, regional, environmental, immigration, security and social policy areas (Bomberg *et al*, 2008) in the years since. The EU is organised into four main institutions, the EC, the EU Parliament, the EU Court and the EU Council. Whilst the aims and priority areas of the EU are guided through the Parliament and Council, it is the responsibility of the EC to develop, implement and build on broad on-going policy aims such as growth and development throughout the territory. The Commission's main roles are to:

- set objectives and priorities for action
- propose legislation to Parliament and Council
- manage and implement EU policies and the budget
- enforce European Law (jointly with the Court of Justice)
- represent the EU outside Europe (negotiating trade agreements between the EU and other countries, etc.)

**Source:** European Commission (2011a)

The EC is currently split into 44 directorates and service departments. The Structural Funds are policy tools to implement cohesion policy<sup>22</sup> with an aim of developing the regions

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<sup>22</sup> EU cohesion policy is an investment policy. It supports job creation, competitiveness, economic growth, improved quality of life and sustainable development. Regional policy aims to reduce the significant economic, social and territorial disparities that still exist between Europe's regions. Leaving these disparities in place would undermine some of the cornerstones of the EU, including its large single market and its currency, the euro. During the period 2007-2013, the EU will invest a total of €347 billion in Europe's regions.

within the EU that suffer from economic or social disadvantage. There are three main funds that make up the European Structural Funds

- The European Regional Development Fund (ERDF) which has a focus on improving physical infrastructure and private economy
- The Cohesion Fund which focuses on stabilising economies and developing trans-European infrastructure and transport
- The European Social Fund (ESF), which has a focus on improving economic activity through addressing underlying social barriers

The responsibility for the European Social Fund sits within the Directorate for Employment, Social Affairs and Inclusion.

The European Social Fund was born in 1951 after a treaty was signed in Paris to create the European Coal and Steel Community (ECSC). One outcome of the ECSC Treaty was the establishment of the ECSC Fund for the Retraining and Resettlement of Workers, which would form the basis for the ESF. Six years later, the Treaty of Rome established the European Economic Community (EEC) and implemented the wider goal of improving economic opportunities through promoting employment skills and encouraging geographical and occupational mobility among workers. Through the 50's and 60's, the ESF was used primarily to address national needs, as the absence of an overarching EU strategy to direct the funds meant cross-territorial issues or comparative measures and award of the funds were rarely taken into account.

The ESF was reformed in 1971 to target specific groups, areas and industries, with these groups diversifying and increasing in another revision to the ESF in 1975 when the ESF was split into two, and the resulting ERDF was created. Both funds became known as the EU

Structural Funds. This division provided greater focus to the ESF, which could now be better focused on social issues, and funds were quickly targeted at women in the workplace, youth unemployment and older and disabled workers, all of which were areas where new policy and social development was required across the member states. As a result of this improved targeting, the ESF began opening up the funds to non-governmental organisations, which had previously been ineligible to receive them, as these organisations were recognised as better able to engage with the target groups in certain areas of policy.

The most significant changes to the ESF came in 1988 when the budget was increased, the programme was refocused on the poorest regions of the EU, and the EC decided to delegate programme authority to each member state. Until 1988, member states had applied to the EC for individual projects however the 1988 amendments meant that multi-annual programmes themselves were to be agreed with member states in the form of a block grant, and these member states would manage individual projects from there. This change also contained a new element of partnership agreement between the EC, the state and other interested organisations, requiring states to provide more evidence of collaboration in the delivery of projects. The regulations agreed as part of this reform introduced a new framework to structure how the funds would be delivered and targeted, and in effect doubled the real term resources being spent (Rodriguez-Pose *et al* 2004, Sutcliffe, 2002).

The funding programme in the 1988 reform was split into 5 'objective' strands.

**Table 1**

Objective 1	Promote the development and structural adjustment of underdeveloped regions
Objective 2	Regenerate regions affected by industrial decline
Objective 3	Combat long term unemployment
Objective 4	Focus on getting young people into work
Objective 5	Reform agricultural policy and improve rural areas

Objective 1 was allocated the bulk of the ESF funds, with two thirds of ESF being directed to these areas (Rodriguez-Pose *et al* 2004), and only regions with a GDP of less than 75% of the average of the EU would be eligible to receive these monies. The Objectives were designed to increase subnational involvement in the funds through the partnership and administrative development elements of the programmes. The Objectives were also designed to encourage government departments to work together across themes, rather than within institutionally rigid sector silos (Payne *et al*, 1997). Within the confines of the overarching programmes, member states were able to develop their own strategies for funds distribution and implementation. In line with these principles, EU legislation does not, and did not, dictate the delivery models for the programmes, nor did it prescribe the structure of implementation or which organisations should be involved (Ferry *et al*, 2007).

### Timeline of Events

<b>Date</b>	<b>Event</b>
1999	Certain powers handed to devolved Welsh Government
2000	Beginning of 2000-2006 ESF programme
2005	ESF monies for 2007-2013 programmes agreed
2006	End of 2000-2006 ESF programme
2006	Start of development of 2007-2013 programmes within WEFO
January 2007	Scheduled opening of 2007-2013 ESF Convergence programme – delayed to September 2007
Spring 2007	Welsh Government Department disseminates call for interest in involvement in the project. A series of project development events are held between Spring 2007 – Winter 2007
October 2007	Welsh Government Department requests formal expressions of interest in the project
January 2008	Welsh Government Department requests more detailed applications from organisations to be partners in the project
August 2008	Welsh Government Department notifies unsuccessful organisations that they have not been selected and that the partnership will be smaller than planned
December 2008	Partnership decreases from 10 to 9 partners
January 2009	Project officially awarded ESF funding from WEFO
January 2009	Project officially launched
February 2009	WEFO publishes guidance on partnership composition & procurement
April 2010	First ESF monies paid to successful partners

## Research Participant Profiles

Participant #1	European Commission
Participant #2	Welsh Government
Participant #3	Third Sector Network
Participant #4	Welsh Government
Participant #5	Welsh Government
Participant #6	Welsh Government
Participant #7	Partner
Participant #8	Partner
Participant #9	Partner
Participant #10	Partner
Participant #11	Partner
Participant #12	Partner
Participant #13	Partner
Participant #14	Welsh Government
Participant #15	Partner
Participant #16	Partner
Participant #17	Partner
Participant #18	Third Sector Network
Participant #19	Third Sector Network
Participant #20	Welsh Government
Participant #21	Third Sector Network
Participant #22	Third Sector Network
Participant #23	Third Sector Network
Participant #24	Third Sector Network
Participant #25	European Commission
Participant #26	Third Sector Network
Participant #27	Third Sector Network
Participant #28	Third Sector Network
Participant #29	Welsh Government
Participant #30	Welsh Government
Participant #31	Third Sector Network
Participant #32	Third Sector Network
Participant #33	Partner
Participant #34	Partner
Participant #35	Partner

European Commission	2 Participants
Welsh Government	8 Participants
Partners	13 Participants
Third Sector Network	12 Participants

**Interview Questions**

The following questions were used in the semi-structured interviews. This is an illustrative but not exhaustive list, and some questions may have been phrased differently to fit with the direction of the interview. These questions were used as prompts, and not every question was used in every interview.

Participants involved in the development of the programmes

- How were the 2007-2013 programmes negotiated?
- Could you give me an idea of how the 2007-13 programmes were developed?  
Which organisations/departments/individuals were involved?
- What was your role?
- How long was the process? Were there delays? What caused those delays? How were they resolved?
- How were the 2007 programmes different to the previous programmes?
- Why were the programmes changed?
- Which policies/frameworks did you need to apply/work within when structuring the programmes? Did any of these constrict what you were trying to do?
- What were you trying to achieve by changing the programmes from 2000-06?
- What impact upon the voluntary sector do you think the new programmes will have?
- What feedback was there from the voluntary sector?
- Was there anything that you think should have been done differently? Were other options considered but discounted?
- Who were the key players in the process? What influence did they have?

- What kind of working culture do you have in your organisation? Do the organisations you work with have similar cultures?
- What is important in your workplace?
- What is your relationship with Europe like? Is Europe quite detached from the work you do or does it have some influence on how you do things?

#### Participants involved in the project partnership process

- Could you tell me from your perspective how you came to become involved in the partnership, from when you first heard about it to when your bid was approved/rejected?
- What kind of involvement have you had with the Welsh Government in the past? Have you had grants or contracts from them? What about with other public sector bodies?
- Have you received funding, been on a steering group or been involved in lobbying with the Welsh Government or other public sector bodies?
- How did you approach developing your project? What considerations did you have? Did you consider what other organisations might be doing?
- Which individuals were you most in contact with when the bid was being developed?
- What kind of relationship do you have with them now that the bid has been agreed?
- Do you have good working relationships with anyone in the Welsh Government?
- Were there any barriers to you being able to participate in the funding process?
- How did the Welsh Government decide who was going to be a partner?
- Why do you think your organisation was selected/not selected over organisations that have similar aims or expertise?



- How involved are you in the Welsh voluntary sector environment? Do you have links with other organisations or work together with other organisations?
- How do you feel about the demands and processes involved in the application/formation process?
- How did you interpret the ESF requirements? Did you have any support to do that?
- How different are the programmes this time to last time?
- What are the effects of these changes on your organisation?
- How is your organisation funded?
- Do you have full-time people who focus on funding or policy matters?
- What involvement do members of your board have in funding processes?
- What were the implications of the project partnership outcome for your organisation?
- Which organisations do you perceive to be the most dominant in the network?  
How do you think your organisation compares in terms of gaining funding and delivering outcomes?
- Are you competing for funds, domain or beneficiaries with other organisations in the network?
- What was [Welsh Govt Department]'s role in developing the project?
- What are your opinions on how that process was developed and managed?
- Could they have done anything differently to have made the process easier or more effective?
- How effective do you think the project as it is now will be in achieving the policy goals attached to Priority 1?

Triangulating questions

- It's my understanding that the programmes were heavily influenced by civil servants in the European Commission. Was that your experience?
- I have read that all of the partners have Welsh Government funding in common, received prior to the partnership project, was that a consideration in selecting them? What was?
- I read in the guidance that projects are supposed to procure instead of have a very large partnership, is that the plan with this project? What is?
- I heard that the delays occurred because of bureaucracy and lots of people being copied into things, was that your experience? What was?
- Some have said that there was a preoccupation with impressing Europe with paperwork. What do you think about that?
- Thinking about the paperwork and complexity of the programmes, is there a risk of alienating some organisations that would be good at achieving the policy aims?

## Glossary

Bureaucracy	An abstract form of organisation designed to deliver its masters goals efficiently
Case Study	<p>A research method (or design) focusing on the study of a single case.</p> <p>Usually it is not designed to compare one individual or group to another. Though it is possible to conduct a series of case studies, each study would not be designed specifically to enable comparison with others. Sometimes a case study may be included in comparative analysis as a key or illustrative example.</p>
Civil Society	<p>Civil society has not been commonly defined, however it is generally held to mean the arena outside of the family, the state, and the market where people associate to advance common interests. It is sometimes considered to include the family and the private sphere, and elements of freedom and independent judiciary characteristic of modern democracy.</p>
Code	<p>A term that represents an idea, theme, theory, dimension, characteristic etc. of the data. Passages of text, images etc in a qualitative analysis study can be linked to the same code to show that they represent the same idea, theme, characteristic etc.</p>
Coding	<p>The action of identifying a passage of text in a document or an image or part of an image that exemplifies some idea or concept and then connecting it to a named code that represents that idea or concept.</p> <p>This shows that it shares the characteristics indicated by the code and/or its definition with other similarly coded passages or texts. All the passages and images associated with a code can be examined together and patterns identified.</p>

Comparative Analysis	Analysis where data from different settings or groups at the same point in time or from the same settings or groups over a period of time are analysed to identify similarities and differences.
Convergence Programme	Close to the previous "Objective 1", programme, aims to help the least-developed Member States and regions catch up more quickly with the EU average by improving conditions for growth and employment. It covers the Member States and regions whose development is lagging behind.
Data	Items or units of information generated and recorded through social research. Data can be numerical (quantitative) or consist of words, images or objects (qualitative). Naturally occurring data are those that record events that would have occurred whether a researcher was present or not. Data are the product of the research itself and are determined by the research process.
Devolution / Devolved nation	The statutory granting of powers from the central government of a sovereign state to government at a subnational level, such as a regional, local, or state level. Devolution can be financial, e.g. giving areas a budget which was formerly administered by central government, or it can include the power to make legislation.
Elite	A small group of people who control a disproportionate amount of wealth and/or political power.
Empiricism	The notion that knowledge comes through factual research based on direct experience gathered through the senses (such as visual observation). More loosely, it has been used to describe research that contains little in the way of reflection or theory, preferring to report 'facts' as they appear to be.

Epistemology	The philosophical theory of knowledge, that addresses questions about how we can know what we know, and whether this knowledge is reliable or not.
Ethics	A branch of philosophy and a field of everyday thinking that deals with questions of what is morally right and wrong.
EC	The European Commission is the executive body of the European Union. The body is responsible for proposing legislation, implementing decisions, upholding the Union's treaties and the general day-to-day running of the Union
Facts	True statements about reality. Facts are supposedly neutral with regard to whether such things are morally right or wrong.
Freedom of Information Act 2000	The Freedom of Information Act 2000 provides public access to information held by public authorities. Public authorities are obliged to publish certain information about their activities, and members of the public are entitled to request information from public authorities.
Funding Instrument Gatekeeper	The means by which funds are directed towards resolving a policy issue People associated with a research setting whose support enables the researcher to access those they want to research. Gatekeepers may hold relevant formal positions of responsibility and/or they may be well connected and helpful 'locals' within the setting the researcher is studying.
Homogeneity	The property of a group of things of being similar and relatively undistinguished from each other.
Implementation	The execution of public policy
Institution	A custom, practice, relationship, or behavioural pattern of importance existing between multiple individuals or organisations

Interpretivism	Approaches that emphasize the meaningful nature of people's participation in social and cultural life. Researchers taking such approaches analyse the meanings people confer upon their own and others' actions, words, settings and contexts.
Managing Authority	Organisation nominated by a Member State to develop the funding distribution structures, inform potential beneficiaries, select the projects and generally monitor implementation
Model	A mapping device, often expressed in a chart or diagram, designed to represent the relationship between key elements in a field of study. Models may be predictive, causal or descriptive, and may be discursive, mathematical or graphical.
National Assembly for Wales	The democratically elected body that represents the interests of Wales and its people, makes laws for Wales, and holds the Welsh Government to account.
Network	An interconnected system of ties and relationships
Partnership	A relationship, often solidified through contractual arrangements, between individuals or groups that is characterized by mutual cooperation and responsibility, as for the achievement of a specified goal
Policy	A principle or rule to guide decisions and achieve rational outcomes.
Procurement	Procurement is the full range of activities related to purchasing goods, services and works.
Qualitative Data	Information gathered in non-numeric and often textual form about meanings, intentions, actions, behaviours and events.
Quango	An organisation that is funded by taxpayers, but not controlled directly by central government
Quantitative Data	Information gathered in numeric form.

Rationality	The exercise of reason
Region	a territorial authority existing at the level immediately below that of the central government, with its own political representation in the form of an elected regional assembly.
Research Question	A clear statement in the form of a question of the broad issues that a researcher wishes to answer in order to address a research problem. A research problem is an issue that lends itself to systematic investigation through research.
Rhetoric	The use of language to persuade or influence people and the study of such methods. It involves linguistic strategies used by speakers or authors of texts to convey particular impressions or reinforce specific interpretations.
Sampling	The process of selecting a subgroup of a population to represent the entire population.
Semi-structured interview	Interviews that use open-ended and often relatively unstructured questioning to explore a topic in significant detail from the interviewee's perspective.
Single Programming Document	Sets out directions for the allocation of EU aid and the national co-financing requirements
Snowball Sampling	The process of selecting further individuals to provide their views based upon the recommendations of research participants
Social Constructivism	The epistemological view that the phenomena of the social and cultural world and their meanings are not objective but are created in human social interaction, that is, they are socially constructed. The approach often, though not exclusively, draws on idealist philosophy.
Social Structures	An architectural/biographical metaphor that highlights the ordered interrelationships that are characteristic of particular societies or the

objective constraints imposed upon individuals by social institutions.

Statutory sector	Organisations that are set-up, funded and controlled by government such as Councils, NHS Health Trusts, Police
Structural Funds	EC financial tools created to implement Cohesion Policy.
Supra-National	A type of multi-national organisation, confederation or federation where negotiated power is delegated to an authority by governments of member states
Theoretical Framework	The conceptual underpinning of a research study which may be based on theory or a specific conceptual model.
Theory	In its most general sense a theory describes or explains something. Often it is the answer to 'what', 'when', 'how' or 'why' questions.
Third Sector	Organisations occupying the space between the state and the private sector, comprising non-profit organisations and groups. Also referred to as the voluntary sector
Transcription	The process of transferring audio or video recordings of speech or hand-written notes into a typed or word-processed form. In some cases special characters may be used to indicate aspects of how words were spoken.
Triangulation	The use of a variety of data sources or methods to examine a specific phenomenon either simultaneously or sequentially in order to attempt to produce a fuller or more accurate account of the phenomenon under investigation.
Validity	The extent to which an account accurately represents the social phenomena to which it refers. In realist research it refers to the degree to which the research provides a true picture of the situation and/or people being studied and is often referred to as internal validity.



External validity refers to the extent to which the data collected from the group or situation studied can be generalised to a wider population.

Wales Council for Voluntary Action	The umbrella organisation representing the voluntary sector in Wales
WEFO	A department within the Welsh Government, WEFO is the 'Managing Authority', administrator or manager of European Funding in Wales.
Welsh Government	<p>The First Minister of Wales heads the Welsh Government. Together with Welsh Ministers and the Counsel General they form the Cabinet.</p> <p>Civil servants based in offices throughout Wales support them in developing and delivering their work.</p>

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